

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
GREIGE POLYESTER/COTTON) Investigation No.:
PRINTCLOTH FROM CHINA) 731-TA-101 (Second Review)

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1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

APPEARANCES: (cont'd.)

Staff:

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION
WILLIAM R. BISHOP, HEARINGS AND MEETINGS
COORDINATOR
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
GAIL BURNS, INVESTIGATOR
BRIAN ALLEN, INDUSTRY ANALYST
WILLIAM DEESE, ECONOMIST
MARY PEDERSEN, ACCOUNTANT/AUDITOR
DAVID GOLDFINE, ATTORNEY
KAREN VENINGA DRISCOLL, ATTORNEY
GEORGE DEYMAN, SUPERVISORY INVESTIGATOR

In Support of Continuation of the Antidumping Duty Order:

On behalf of Alice Manufacturing Company, Inc. and
Mount Vernon Mills, Inc.:

ROBERT C. CASSIDY, JR., Esquire
LEONARD M. SHAMBON, Esquire
Wilmer Cutler Pickering Hale & Dorr, LLP
Washington, D.C.

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P R O C E E D I N G S

(9:30 a.m.)

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3 CHAIRMAN KOPLAN: Good morning. On behalf
4 of the United States International Trade Commission, I
5 welcome you to this hearing on Investigation No.
6 731-TA-101 (Second Review), involving Greige
7 Polyester/Cotton Printcloth From China.

8 The purpose of this second five-year review
9 investigation is to determine whether revocation of
10 the antidumping duty order on greige polyester/cotton
11 printcloth from China would be likely to lead to
12 continuation or recurrence of material injury to an
13 industry in the United States within a reasonably
14 foreseeable time.

15 Notice of investigation of this hearing, the
16 names of both witnesses and transcript order forms are
17 available at the Secretary's desk. I understand that
18 counsel for domestic producers are aware of the time
19 allocations. Any questions regarding the time
20 allocation should be directed to the Secretary.

21 As all written testimony will be entered in
22 full into the record, it need not be read to us at
23 this time. Counsel are reminded to give any prepared
24 testimony to the Secretary. Do not place testimony
25 directly on the public distribution table. Both

1 counsel must be sworn in by the Secretary before
2 presenting testimony.

3 Finally, if you will be submitting documents
4 that contain information you wish classified as
5 business confidential, your requests should comply
6 with Commission Rule 201.6.

7 Mr. Secretary, are there any preliminary
8 matters.

9 MR. BISHOP: No, Mr. Chairman.

10 CHAIRMAN KOPLAN: Very well. Let us proceed
11 with the testimony of this panel.

12 MR. BISHOP: Those in support of
13 continuation of the antidumping order being
14 represented by Wilmer Cutler Pickering Hale & Dorr
15 have been seated. Both witnesses have been sworn.

16 (Witnesses sworn.)

17 CHAIRMAN KOPLAN: Thank you.

18 You may proceed, Mr. Cassidy. Your
19 microphone?

20 MR. CASSIDY: Thank you, Mr. Chairman. My
21 name is Robert Cassidy. I'm a partner with the law
22 firm of Wilmer Cutler Pickering Hale & Dorr, and I'm
23 appearing before you this morning on behalf of Alice
24 Manufacturing and Mount Vernon Mills, two producers of
25 the domestic like product. I'm accompanied with my

1 colleague from Wilmer Cutler, Mr. Leonard Shambon.

2 We do not have any witnesses for you this
3 morning, and we regret this fact, but the changes in
4 the Commission's hearing date combined with
5 unanticipated changes in schedules for litigation
6 before Courts and meetings with important customers
7 made it impossible for us to have the witnesses we had
8 hoped to have for you this morning. Nonetheless --

9 CHAIRMAN KOPLAN: Excuse me. I thought you
10 were on vacation last week. Is that wrong?

11 MR. CASSIDY: No, I was not on vacation.

12 CHAIRMAN KOPLAN: Okay.

13 MR. CASSIDY: Yes.

14 CHAIRMAN KOPLAN: Go ahead.

15 MR. CASSIDY: I wish I had been on vacation.

16 What we've proposed to do, if the Commission
17 agrees, is to make a short presentation to you this
18 morning because we prefer to devote most of the time
19 that you have available to discussion of the issues in
20 this matter.

21 We do hope, however, to present to you a
22 very short statement from an individual who would have
23 appeared had he been able to, Mr. Shambon can read
24 into the record and we can submit to you.

25 Furthermore, to the extent that you have any

1 specific factual questions that require answers from
2 either Alice or from Mount Vernon we will of course
3 get you that information as quickly as we can either
4 in the post-hearing brief or in whatever other format
5 you may find most useful.

6 This case is in our view at least very
7 straightforward. Revocation of the antidumping order
8 on greige polyester/cotton printcloth from China would
9 likely lead to increased harm to the domestic
10 industry, if not to the destruction of the domestic
11 industry.

12 The financial performance of producers of
13 the domestic like product has been declining due to
14 difficult market conditions in particular due to an
15 overall decline in demand for the product in the
16 United States and to increased costs for the raw
17 materials to make the product in the United States.

18 Imports from China of subject merchandise
19 have increased notwithstanding the antidumping order.
20 Imports of other printcloth from China have increased
21 over 300 percent in the last five years, according to
22 the staff report.

23 Data that is not on the record but that was
24 released yesterday and which we will provide to you as
25 soon as we can find a copy of it shows that the

1 Commerce Department has seen dramatic, if not huge
2 increases in imports from virtually every category of
3 apparel and textiles since January 1, which was the
4 termination of the quotas on imports from China.

5 The Department of Commerce of course has
6 found the Chinese to be dumping in its review, in this
7 sunset review, and there is evidence on the record
8 that shows that the Chinese are in fact underselling
9 domestic producers.

10 Given these facts, it seems clear to us that
11 imports of subject merchandise are almost certain to
12 increase if the order is revoked. They are almost
13 certain to be sold at very low prices if the order is
14 revoked, and the increased volume and lower prices
15 will cause an already weakened domestic industry
16 increased harm.

17 That in essence is our view of the case. We
18 would like to, as I said, have a brief statement read
19 into the record from an officer of one of our
20 companies, and then we would like to discuss
21 relatively briefly with you two issues, like product
22 and conditions of competition.

23 With your permission, we will now turn to
24 the short statement for the record.

25 MR. SHAMBON: The statement is by Bradley S.

1 Worst, president of Alice Mills, who met with your
2 staff during the verification trip at Alice Mills on
3 March 22.

4 CHAIRMAN KOPLAN: Is this statement sworn
5 under oath?

6 MR. SHAMBON: It is.

7 CHAIRMAN KOPLAN: It's a sworn affidavit?

8 MR. CASSIDY: Yes.

9 MR. SHAMBON: Yes.

10 MR. CASSIDY: And we will supply the --

11 CHAIRMAN KOPLAN: Your microphone?

12 MR. CASSIDY: It is, and we will supply to
13 you the final official version of it, the notarized
14 version of it.

15 CHAIRMAN KOPLAN: Will it differ in any
16 fashion from what Mr. Shambon --

17 MR. CASSIDY: No, absolutely not.

18 MR. SHAMBON: No.

19 MR. CASSIDY: All we have is a faxed
20 version. We'll have the one that has the blue ink on
21 it for you.

22 CHAIRMAN KOPLAN: All right. Without
23 objection, you can do that.

24 MR. SHAMBON: I am reading on behalf of Mr.
25 Worst.

1 I am Bradley S. Worst, president of Alice
2 Mills, Inc., located in Darien, Connecticut. I have
3 been in the business of selling printcloth for Alice
4 Mills since 1984.

5 Alice Mills is the sales arm for its sister
6 company, Alice Manufacturing Company, Inc., (Alice) of
7 Easley, South Carolina. Founded in 1923, Alice has
8 been manufacturing variations of greige goods since
9 its inception in 1923. It has been making blended
10 polyester/cotton printcloth since blended polyester/
11 cotton fabric first appeared in the 1950s. Currently
12 Alice is one of a handful of companies in the United
13 States still manufacturing printcloth.

14 Alice makes printcloth for home furnishing
15 applications such as comforters, bedspreads, bedsheets
16 and bedding accessories, for instance mattress pads,
17 as well as curtains, draperies, linings and other
18 window coverings, apparel applications such as top
19 weight women's wear, sundresses, pocketing products
20 and some industrial applications, including filtration
21 and adhesive substrates.

22 Our printcloth customers include both end
23 use manufacturers, as well as fabric converters who
24 dye and print the fabric and then sell it to
25 manufacturers.

1 Alice has three mills in the Easley, South
2 Carolina, area. All three make printcloth. These
3 plants are highly efficient and highly automated with
4 computer controlled production lines that were most
5 recently upgraded during the 1995 to 2002 period.
6 These lines consist of world class machines and
7 require very few people to oversee their operation.

8 Now turning to Mr. Worst's statement on the
9 nature of the material, the precise amount of
10 polyester and cotton in the yarn used to make greige
11 polyester/cotton printcloth can vary slightly, for
12 instance from 50 percent cotton to 60 percent cotton,
13 but the method of manufacture, the channels of
14 distribution and the end uses of the printcloth are
15 the same.

16 There are no objectively perceptible
17 differences among these blends, and decisions by
18 manufacturers about the precise blends they make are
19 driven by the relative cost of cotton and manmade
20 fiber and by the kind of yarn spinning equipment they
21 use.

22 The most prevalent printcloth sold in the
23 United States is known in the textile industry as
24 50/50 printcloth. This expression refers to fabric
25 that is comprised of approximately 50 percent cotton

1 and 50 percent polyester by weight. There are other
2 blends of printcloth found in the marketplace, but in
3 much smaller quantities.

4 Turning to Mr. Worst's comments on the state
5 of the industry as currently composed, we believe
6 revocation of the antidumping order on printcloth from
7 China will cause great harm to 50/50 printcloth
8 producers in the United States in the very near term.
9 China dumped large volumes of greige polyester/cotton
10 printcloth in the years preceding the order in 1983.

11 Today China is a major player in the global
12 market for all types of greige polyester/cotton
13 printcloth. Imports of printcloth from China that are
14 not subject to the antidumping order have increased
15 dramatically over the last five years, and there is no
16 reason to think imports now subject to the order would
17 not do the same if the order were terminated.

18 As you know, China is the world's largest
19 producer of textiles and apparel. It is clear to us
20 that China has been preparing to ramp up production of
21 greige polyester/cotton printcloth and other fabrics
22 following the list of bilateral textile quotas. We
23 understand the Chinese have invested heavily in new
24 production technologies to increase fabric quality and
25 are presently producing at well below capacity.

1 Given China's capital investments, its
2 inexhaustible supply of cheap labor and low capacity
3 utilization rates in the cotton weaving segment, we
4 think Chinese companies can shift their production
5 virtually overnight to printcloth following the
6 lifting of the antidumping order.

7 The bilateral textile agreement which
8 limited Chinese imports expired on January 1, 2005,
9 and the United States Department of Commerce reported
10 this week that Chinese apparel exports have
11 skyrocketed since the elimination of quotas.

12 This report demonstrates how Chinese
13 producers and exporters behave when they are not
14 subject to the discipline of an antidumping order.
15 The increase in Chinese imports that would follow the
16 revocation of the antidumping order would have severe
17 consequences for our industry.

18 Imports of finished goods have depressed
19 U.S. demand and prices for greige polyester/cotton
20 printcloth, but there is still demand in the United
21 States for 50/50. We are very efficient producers of
22 50/50, and we can and do compete successfully with
23 fairly traded imports of greige polyester/cotton
24 printcloth.

25 Without protection from dumped Chinese

1 imports, we fear that demand for domestically produced
2 50/50 greige polyester/cotton printcloth will decline,
3 and industry economic conditions will deteriorate very
4 rapidly. Removal of the order could be fatal to our
5 industry.

6 That concludes Mr. Worst's statement. As
7 Bob said, it is a certified statement.

8 MR. CASSIDY: In its notice --

9 CHAIRMAN KOPLAN: Your microphone?

10 MR. CASSIDY: In its notice stating that the
11 Commission wanted to conduct a full investigation, two
12 issues were singled out. First was like product, and
13 the second was conditions of competition. We are not
14 entirely sure what aspects of these issues are of
15 particular interest to the Commission, but let me make
16 some preliminary observations on each of the issues.

17 In the case of like product, when the
18 petition was filed in 1983 it identified the primary
19 product, the primary target of the investigation, to
20 be 50/50 greige polyester/cotton printcloth. 50/50 is
21 textile industry usage, and it means 50 percent by
22 weight cotton and 50 percent by weight polyester.

23 The ITC in the initial investigation found
24 that production of the like product was primarily
25 composed of 50/50 greige polyester/cotton printcloth,

1 and the Commission made the same finding in the first
2 sunset review in 1999. In our view, nothing has
3 changed. The domestic industry is still composed of
4 producers of greige polyester/cotton printcloth, and
5 the primary product that they produce is still 50/50.

6 At this point I think it's useful to remind
7 all of you that under the Textile Product
8 Identification Act when the industry sells something
9 as 50/50 or 55/45 or any set of numbers like that they
10 are obliged to ensure that the actual blend of fibers
11 in the product is within three percentage points plus
12 or minus what they say so if it is 50/50 it has to be
13 somewhere between 47 percent cotton and 53 percent
14 cotton or conversely 47 percent polyester and 53
15 percent polyester.

16 The precise blend of product that a given
17 manufacturer will make and sell depends in the first
18 instance on exactly what the customer orders. If the
19 customer orders 51 percent cotton, the manufacturer
20 will make 51 percent cotton, but that's relatively
21 unusual we understand.

22 More typically a customer will order a 50/50
23 product, and in that case the manufacturer is free to
24 produce anything that meets the Textile Identification
25 Act parameters. Generally speaking, the precise blend

1 will be dictated by the relative price of cotton or
2 manmade fiber at that moment and considerations of the
3 machinery that the manufacturer is using particularly
4 to spin yarn because the speed with which the machines
5 can be run is influenced by the composition of the
6 yarn being made. You can run it faster with certain
7 compositions than with others.

8 As a consequence of this, the cotton and
9 manmade polyester composition of the primary like
10 product shifts back and forth above and below 50
11 percent by weight cotton.

12 Now, what is the significance of this?
13 Well, when the case was originally brought the tariff
14 nomenclature that was in effect at that time
15 distinguished among blended fabrics on the basis of
16 the value of the components of those fabrics, the old
17 tariff schedules of the United States chief value
18 criterion.

19 That criterion covered all 50/50 product
20 that was made at that time and was the nomenclature
21 that was referred to for convenience by the Department
22 of Commerce when trying to identify the subject
23 merchandise.

24 On January 1, 1989, the old tariff schedule
25 of the United States was repealed, and the harmonized

1 tariff schedule of the United States was enacted. It,
2 among many other things, eliminated the chief value
3 standard and went over to a chief weight standard to
4 identify between the components of blended fabrics.

5 It did this because chief value was
6 inherently subjective. It depended on exchange rates,
7 and on one day of the week something could be chief
8 value, and the next day or a week later the same
9 product could be not chief value, and that's not a
10 particularly good way to run a tariff schedule,
11 particularly for statistical purposes in the view of
12 Congress.

13 Chief weight, however, does not change. It
14 is what it is, but the change to chief weight at least
15 in our view didn't change the scope of the order, and
16 indeed the order today still refers to in its text the
17 greige polyester/cotton printcloth of chief value
18 cotton.

19 Having said that, however, the Commerce
20 Department in its more recent review and in the last
21 sunset review and in the current sunset review has
22 adopted a chief weight standard, which means that for
23 purposes of this review we are looking at subject
24 merchandise that is chief weight cotton, that is to
25 say more than 50 percent by weight cotton.

1 That product competes directly with 50/50
2 greige polyester/cotton printcloth. 50/50 greige
3 polyester/cotton printcloth may or may not be chief
4 weight cotton. It can be or it cannot be. It is in
5 fact rather difficult for producers to know exactly
6 what they are making at any given point in time
7 because it is not a criterion which they attach
8 enormous significance to in the normal course of
9 business.

10 The staff observed this difficulty, and in
11 fact they collected data for this investigation which
12 is composed of first of all chief weight cotton
13 production in the United States and sales, secondly
14 50/50 production and sales in the United States, and
15 then thirdly all greige polyester/cotton, which is
16 chief weight plus 50/50.

17 We think this is the intelligent way to
18 analyze the issue, but nonetheless it does seem
19 obvious to us that the domestic like product in this
20 case is still what it has always been and that the
21 primary component or the primary product segment in
22 the domestic like product category is still the 50/50
23 product, which may or may not be in chief weight
24 cotton.

25 The record is very clear that all of the

1 Respondents, be they purchasers or producers, consider
2 greige polyester/cotton printcloth, whether 50/50 or
3 chief weight cotton, to be produced on the same
4 machinery, to be sold through the same channels, to
5 have the same physical characteristics and uses.

6 I would think that all greige polyester/
7 cotton printcloth is substitutable for virtually all
8 end use applications, and in fact a number of them
9 state that it is extremely difficult, if not
10 impossible, for the ultimate consumer of goods made
11 from greige polyester/cotton printcloth to distinguish
12 between different blends when the differences are in
13 the range of, for example, 50 percent to 60 percent.

14 Parenthetically, and this cannot be on the
15 record, but I have felt examples of the three
16 different versions of these products, 50, 55 and 60,
17 and when I guessed which was which I flunked the test.

18 To make it more complicated is that when you
19 look at the end use articles, be it apparel or sheets
20 or pillows or curtains, they can be dramatically
21 different finishes even though they may have come from
22 exactly the same product; that is to say from the same
23 50/50 product because greige polyester/cotton
24 printcloth is, if you will, a raw material.

25 It goes to finishers who print, dye,

1 texturize, do all sorts of things to it, and then it
2 goes to end product manufacturers who then make it
3 into dresses or pockets or curtains. It can end up
4 having many, many different feels for the ultimate
5 consumer.

6 There are slightly different blends
7 apparently. The record shows at least two blends of
8 the domestic like product. One is the 50/50, and
9 there is another which is in chief weight cotton.
10 These two different blends are substitutable for each
11 other insofar as the record suggests and insofar as
12 our clients tell us. You can't tell the difference.

13 Only one of the blends, which is the 50/50,
14 is actually sold in the commercial market. The other
15 is entirely consumed internally, but as far as we can
16 make out they are both directly competitive with the
17 subject merchandise. They both are substitutable for
18 the subject merchandise, and all producers of greige
19 polyester/cotton printcloth, be it 50/50 or the other
20 blend that is identified on the record, do compose the
21 domestic greige polyester/cotton printcloth industry.

22 The other issue you identified is conditions
23 of competition. In 1983 in the original investigation
24 and in 1999 in the first sunset review, there were
25 eight domestic producers of the like product. They

1 included Alice, Hamerick Mills, Mount Vernon Mills and
2 Dan River plus four other producing companies.

3 Today the four other companies have
4 disappeared, and you have Alice, Hamerick, Mount
5 River, Dan River and one other company who was not in
6 the business in earlier years.

7 What happened to the four other companies?
8 Why did they disappear? Well, that story is
9 unfortunately fairly straightforward. Since 1999,
10 imports of both the end use products to which greige
11 polyester/cotton printcloth is applied have increased
12 dramatically, which means that the U.S. demand has
13 declined.

14 If their customers have moved their
15 production operations offshore then the U.S. companies
16 must either export or they lose business, and there
17 are relatively little exports from the U.S. Most of
18 the manufacturing offshore sources their printcloth
19 from producers who are close to them either in the CBI
20 or in east or south Asia.

21 Secondly, costs in the United States are up.
22 Petroleum costs, which is the driver of the manmade
23 fiber, have been up and very recently, the last year
24 and a half or so, are up dramatically.

25 Secondly, cotton prices, which are higher in

1 the United States than they are elsewhere in the
2 world, while they can be quite erratic within a band
3 in the U.S. nonetheless are drifting higher, have been
4 drifting higher for some time, and even when they are
5 at their relatively low point in the band, the price
6 of cotton in the U.S. is still higher than it is
7 outside the U.S. The consequence is that the
8 competition with importers who face at least lower
9 cotton prices is difficult.

10 Thirdly, for the reasons I explained a
11 moment ago, demand generally is down. It is down
12 primarily because of the disappearance of many of the
13 manufacturers of apparel and housewares who are the
14 traditional consumers of the greige polyester/cotton
15 printcloth produced in the United States.

16 This story is grim, but it's not disastrous.
17 That is to say there is still a U.S. industry. As you
18 can see in looking at questionnaire responses, many of
19 the participants in the U.S. industry have invested in
20 state-of-the-art equipment. They are highly efficient
21 operations, and they are struggling to find the best
22 combination of product that will allow them to survive
23 in the marketplace, and they have reason to believe
24 they can survive in the marketplace.

25 The thing that will change competition in a

1 way that is likely to make it impossible for them to
2 continue in the marketplace would be a dramatic
3 increase in imports from China of this product, along
4 with everything else that they are seeing by way of
5 increases from China, and it is almost certain that
6 any increase of greige polyester/cotton printcloth
7 from China, subject merchandise, merchandise that is
8 now covered by the order, would have a serious adverse
9 effect on the condition of these companies.

10 That is how conditions of competition have
11 changed. The domestic producers face difficult times,
12 but they are adapting. The last thing they need at
13 this point is more imports from China because of the
14 termination of the dumping order on greige polyester/
15 cotton printcloth.

16 That concludes our prepared statement, and
17 we would be happy to answer any questions you may have
18 to the best of our ability or to get for you from our
19 clients factual information as quickly as we can.

20 CHAIRMAN KOPLAN: Thank you, Mr. Cassidy,
21 for that. I'll begin the questioning.

22 First, with regard to your statement at the
23 beginning that your ability to prepare for this
24 hearing was compromised by a shift in the hearing
25 date, I checked with staff, and they only thing we

1 seem to have from you with respect to this hearing
2 date is a letter dated March 14 of this year at which
3 time you requested an extension of the deadline for
4 filing the prehearing briefs in the above-referenced
5 letter from March 22 to March 28. We acceded to your
6 request.

7 MR. CASSIDY: Mr. Chairman, I did not wish
8 to give you the impression that we think the
9 Commission has compromised our ability to do anything.
10 My reference was solely to the fact that the
11 Commission had originally scheduled its hearing in
12 this case for, as I recall, March 31, and then it
13 moved its hearing date to April 1 and then its hearing
14 date to April 5. That's all.

15 We did not object to the movement of those
16 dates for the hearing at that time, but the
17 consequence of the movement of the hearing date was
18 that, and we were not fully apprised of this
19 ourselves, a conflict was created with one person who
20 was going to be a witness, and then we suddenly, and
21 this has nothing to do with changes in the hearing
22 dates --

23 CHAIRMAN KOPLAN: I don't want to beat this
24 to death.

25 MR. CASSIDY: Yes.

1 CHAIRMAN KOPLAN: All I'm saying to you is
2 if you have anything else by way of a complaint that
3 you --

4 MR. CASSIDY: I don't have a complaint. I
5 have no complaint whatsoever.

6 CHAIRMAN KOPLAN: All right. Let me move
7 along.

8 MR. CASSIDY: Yes.

9 CHAIRMAN KOPLAN: That's all we have is that
10 letter, and we did accede to your request.

11 Secondly, with regard to the statement of
12 Mr. Worst that was read into the record, do you have a
13 copy of the verification report on Alice with you?

14 MR. CASSIDY: I believe we do. Do we?

15 CHAIRMAN KOPLAN: Well, if you don't have it
16 right at the table --

17 MR. CASSIDY: Yes.

18 CHAIRMAN KOPLAN: -- let me make a reference
19 to you if I could.

20 MR. CASSIDY: Yes, please.

21 CHAIRMAN KOPLAN: This of course is business
22 proprietary information. It's confidential, but I
23 want to call your attention to page 4 at the bottom of
24 the page, the next to the last full sentence.

25 MR. CASSIDY: All right.

1 CHAIRMAN KOPLAN: Okay. The statement that
2 was read into the record does not comport with what I
3 am reading there in that sentence, and I checked with
4 our staff after listening to you read that, and I
5 understand that the sentence that I am looking at, the
6 source for that statement in here was Mr. Worst.

7 MR. CASSIDY: We will have to --

8 CHAIRMAN KOPLAN: You'll have to reconcile
9 that.

10 MR. CASSIDY: -- read that statement and go
11 back to Mr. Worst.

12 CHAIRMAN KOPLAN: Right. I have that
13 information from Ms. Pedersen, who participated in
14 that.

15 MR. CASSIDY: Right.

16 CHAIRMAN KOPLAN: I'm telling you that what
17 I heard is not consistent with what I'm reading.

18 MR. CASSIDY: I understand you, and we will
19 look, and we will come back to you.

20 CHAIRMAN KOPLAN: Okay. On the question of
21 how Commerce is enforcing the order, I will tell you
22 that our staff has talked with Alan Titleman, who I'm
23 sure you're aware of, the Customs national import
24 specialist, and in fact Customs has been applying the
25 antidumping duty on greige polyester/cotton printcloth

1 from China of chief weight cotton.

2 I'm just telling you that in fact that's the
3 way it's being applied. I assume you would know that.

4 MR. CASSIDY: We know that. That is the way
5 it has been done.

6 CHAIRMAN KOPLAN: You do know that?

7 MR. CASSIDY: Of course.

8 CHAIRMAN KOPLAN: Okay. Now let me turn if
9 I could to like product. I'm going to begin by asking
10 you why you're asking the Commission to define the
11 domestic like product as 50/50 greige polyester/cotton
12 printcloth when you failed to make this argument in
13 the first sunset review.

14 Let me walk you through my problem. On
15 January 13, 1999, you filed adequacy comments on
16 behalf of ATMI and its eight member companies,
17 including the two you represent today, and requested
18 an expedited review based in part on the assertion,
19 and I quote, that "no parties have raised issues
20 regarding the definition of the domestic like
21 product."

22 On March 16, 1999, you filed 12 pages of
23 comments in support of continuation of the order, but
24 contained no comment on the definition of a like
25 product. However, you did file as an attachment to

1 your submission Commerce's final result of its
2 expedited sunset review that included the change in
3 scope from chief value cotton to chief weight cotton
4 and referenced the earlier scope memorandum of
5 February 25, 1999.

6 Since you took a pass on this in the first
7 sunset review, why should I look favorably on your
8 argument that we should change this now?

9 MR. CASSIDY: We are not asking you to
10 change anything. We're asking you to do what you have
11 done in the past.

12 The product that was produced and was the
13 primary subject of the petition was 50/50. The
14 product that was being produced primarily in 1999 was
15 50/50. The product that is primarily being produced
16 now is 50/50.

17 Chief weight cotton, the change in
18 nomenclature to chief weight cotton, covers a category
19 of products which does include some 50/50 and does not
20 include other 50/50. It depends on exactly which
21 piece of fabric you are looking at.

22 We did not comment in -- I don't have the
23 record in front of me, and I do not claim to remember
24 everything that was said at that time, but we did not
25 get into the issue of like product at that time.

1 CHAIRMAN KOPLAN: At what time?

2 MR. CASSIDY: The first sunset review that
3 you are raising.

4 CHAIRMAN KOPLAN: Let me stop you on that if
5 I could.

6 MR. CASSIDY: Okay.

7 CHAIRMAN KOPLAN: That February 25 memo of
8 Commerce is footnoted in the attachment to your
9 pleading in the first sunset review, okay? Yesterday,
10 late yesterday, I got a copy of that memorandum that's
11 referenced in your pleading. Let me read this to you.
12 I'm going to put it in the record if I could.

13 The memorandum is dated February 25, 1999.
14 It's authored by Scott Smith and it says, "Re: Greige
15 Polyester/Cotton Printcloth Scope. In phone
16 conversations with Alan Titleman, U.S. Customs
17 Service, Textiles/Printcloth, New York," and they put
18 the telephone numbers in, "on February 19, 1999, and
19 February 25, 1999, the Department discussed the 1989
20 conversion from the chief value system to the chief
21 weight system of classification with respect to
22 printcloth used by the Customs Service.

23 "In phone conversations with Robert Cassidy,
24 (202) 663-6000, counsel for American Textile
25 Manufacturers Institute, ATMI, on February 19, 1999,

1 and February 25, 1999, the Department discussed the
2 translation in yarn counts between the English and
3 metric system of yarn count numbers. See memorandum
4 Re: Greige Polyester/Cotton Printcloth Scope,
5 February 19, 1999.

6 "Also discussed was the conversion from
7 chief value to chief weight. ATMI is aware of these
8 conversions and is in concurrence."

9 So this was discussed in advance of your
10 March filing.

11 MR. CASSIDY: Uh-huh.

12 CHAIRMAN KOPLAN: And according to this
13 memorandum, which you actually cited as an attachment,
14 the text of which I obtained, this was all discussed
15 with you, and you concurred.

16 MR. CASSIDY: We concurred, but the Customs
17 Service was saying that it was going to use the HTS
18 terminology when it was enforcing the dumping order.

19 That does not tell us precisely what the
20 domestic like product is. The domestic like product
21 is the product that is like the import. Now, the
22 import for purposes of this investigation is greige
23 polyester/cotton printcloth that is in chief weight
24 cotton. That's not an issue with which we are
25 quibbling here.

1 The question that is before the Commission
2 is what is the like domestic product? What is like
3 the subject merchandise?

4 CHAIRMAN KOPLAN: Well, let me come back to
5 something that you said earlier when you referenced
6 the original.

7 I see my light is about to come on. I'm not
8 going to be able to get to this on my first round, but
9 I'll come back to you.

10 I'll turn to Vice Chairman Okun.

11 VICE CHAIRMAN OKUN: Thank you, Mr.
12 Chairman, and welcome to the witnesses this morning.
13 I appreciate you being here for questioning.

14 Let me just continue on with the like
15 product because I'm also trying to understand what
16 your argument is vis-a-vis the scope that Commerce has
17 in the domestic like product. I've read your briefs,
18 and I've heard you. You're saying you're not asking
19 us to do anything different.

20 MR. CASSIDY: That is correct.

21 VICE CHAIRMAN OKUN: Okay. But the scope
22 reads chief weight cotton, and that's what's being
23 enforced as I understand it.

24 I can look at the production of what the
25 domestic industry is doing. Won't most of what is

1 covered by the scope not be what the domestic industry
2 is producing to some extent, but what the domestic
3 industry is competing against won't be covered by that
4 scope unless the Chinese switch back?

5 I mean, that's what I'm trying to understand
6 is the difference here between what you're arguing
7 and --

8 MR. CASSIDY: Sure. The dumping order
9 covers product that is in chief weight cotton. It
10 comes into the country, and everything on the record
11 says that the product that comes into the country
12 competes with product made by the domestic industry.

13 Now, the precise blends that the record says
14 are made by the domestic industry and that compete
15 with the subject merchandise are one blend that I
16 can't name precisely because it's confidential
17 information that is chief weight cotton, and the other
18 blend is 50/50, which may or may not be chief weight
19 cotton. Sometimes it is chief weight cotton.
20 Sometimes it is not.

21 So you have two things made by the domestic
22 industry that compete with the subject merchandise.
23 In addition to the subject merchandise there is other
24 merchandise undoubtedly coming into the country.
25 There is printcloth coming into the country from China

1 that is not covered by the dumping order. It is also
2 competing with product made by the domestic industry.

3 What we are saying here is that as you
4 analyze this issue you have to identify the domestic
5 producers who make the product that is like the
6 imports. All we are saying is that as has been the
7 case in the past you should look at the domestic
8 producers who make 50/50.

9 You should certainly also look at domestic
10 producers who make 50/50 and other blends -- there is
11 at least one of those according to the record that are
12 in chief weight cotton -- and you should consider what
13 the effect of those producers will be if you terminate
14 the order.

15 Now, in doing that you can presumably also
16 take into account as one of the conditions of
17 competition the fact that there are currently imports
18 from China of printcloth that is not subject to the
19 order, and it may also -- may or may not also --
20 compete with the products that we are talking about
21 here, but I don't believe that that should lead you to
22 any different conclusion when you finish your review.

23 VICE CHAIRMAN OKUN: Since the Chairman
24 referenced in his questions, it does appear to me that
25 there is some conflict between what was in our

1 verification report and what has been said today.

2 MR. CASSIDY: Well, that we'll have to look
3 at and come back to you on, yes.

4 VICE CHAIRMAN OKUN: Perhaps then for post-
5 hearing I think we need to see whether you can provide
6 for us which producers can produce chief weight
7 cotton.

8 MR. CASSIDY: Which producers can produce?

9 VICE CHAIRMAN OKUN: Can produce chief
10 weight cotton to make sure that's clear.

11 MR. CASSIDY: I will answer that, but then I
12 will confirm it. All of these producers can produce
13 chief weight cotton.

14 VICE CHAIRMAN OKUN: The machines can do it?
15 Everything?

16 MR. CASSIDY: Yes.

17 VICE CHAIRMAN OKUN: Okay. If we have the
18 chief weight cotton, which is in the scope, and the
19 Commission looks to find the like product and if there
20 are producers of the like product why would we look
21 beyond for something else beyond this?

22 MR. CASSIDY: My interpretation of like
23 product has always been that the Commission should not
24 engage in dissection of product categories on very
25 fine characteristics that don't have any significance

1 in the marketplace.

2 I believe that's also what the instruction
3 of Congress is so that when you have, for example, two
4 different fabrics that are made on the same machinery,
5 sold through the same channels, applied to the same
6 end uses and largely indistinguishable from each other
7 in the marketplace and sold for very similar prices,
8 both of those things collectively can be a like
9 product. You would be engaging in this very fine
10 segmentation if you were not to consider them both to
11 be the like product.

12 Now, as it happens in this particular case,
13 even if you were to do that, and I think it would be
14 quite wrong if you were to do it, but even if you were
15 to do it and to look at only domestic production of
16 the subject merchandise, which is not what the statute
17 says, but if you were to do that what you would see is
18 an industry in which the financial experience of the
19 industry tells its own story.

20 I think that the conclusion you would reach
21 if you were to look solely at that industry as opposed
22 to what I consider to be the proper industry, which is
23 people who make both the 50/50 and this chief weight
24 product, you're going to reach the same answer.

25 VICE CHAIRMAN OKUN: Okay. Help me out

1 again. I understand the industry definition of 50/50
2 and the plus or minus three percent as it's defined
3 there.

4 Has there been any changes with regard to
5 that? In other words, with regard to imports into the
6 United States. Does anyone go four, plus four on
7 either side? Do they compete as well, or is it really
8 50/50 competes with 50/50 as you define it? If you're
9 producing something in that range, that's what's being
10 imported into the United States as well and competing,
11 or is it broader?

12 MR. CASSIDY: It depends on how -- you know,
13 if the price differential is great enough you can
14 substitute most fabrics for most other fabrics.

15 Having said that, in the real marketplace,
16 and we will get you a response from industry experts
17 on this, but as we understand it in the actual
18 marketplace you can substitute say a 50/50 for a 55/45
19 or for a 60/40. You cannot substitute a 50/50 for a
20 30 percent cotton/70 percent polyester because they
21 really feel entirely different. They're just
22 different products.

23 You might be able to substitute a 50/50 or a
24 60/40 for a 100 percent cotton, but the cost would be
25 so different that under normal circumstances in the

1 market you'd never do it.

2 Generally speaking, the market has
3 substitutability, real world substitutability amongst
4 a fairly narrow range of products under normal
5 circumstances.

6 VICE CHAIRMAN OKUN: Okay. And then just to
7 clarify something in the brief for me, in terms of the
8 references made to the 300 mills that had closed over
9 the past five years and then you had just referenced
10 for me our original where we had the eight producers
11 which are now down to four.

12 In terms of those producing the subject
13 merchandise, you're referring to eight going to four,
14 and 300 is the broader reference?

15 MR. CASSIDY: The 300 is the standard
16 statistic the textile industry uses for the number of
17 factories, individual factories that have shut down.

18 VICE CHAIRMAN OKUN: Okay. That this would
19 have gone into?

20 MR. CASSIDY: Exactly. Well, some of those
21 would have been producers of printcloth. Some of them
22 would have been manufacturers of apparel made from
23 printcloth.

24 VICE CHAIRMAN OKUN: Okay. But not from the
25 original --

1 MR. CASSIDY: No, no. No, no, no.

2 VICE CHAIRMAN OKUN: Okay.

3 MR. CASSIDY: There were not 300 printcloth
4 mills.

5 VICE CHAIRMAN OKUN: Okay. As you look at
6 the data that the staff has prepared in the report, is
7 the apparent consumption -- I mean, do you have any
8 issues with how any of those figures such as apparent
9 consumption have been, how we've put it together?

10 In other words, when you look at both I
11 guess now I'm referencing the C tables, but for the
12 chief weight and for all. Are we capturing
13 everything?

14 MR. CASSIDY: The numbers are the numbers
15 obviously. They raise questions to which we frankly
16 have not yet gotten any answers because they present a
17 picture which is not consistent with the picture our
18 clients see.

19 I think maybe this is explained by the fact
20 that a great deal of import products or all of one of
21 the import products is entirely consumed internally so
22 they can't see it in the marketplace, but, yes, they
23 do raise some questions, and we may be commenting on
24 them later. Yes.

25 VICE CHAIRMAN OKUN: Okay. I was going to

1 turn to that, but I see that my light has changed so I
2 will have a chance to come back if I need to. Thank
3 you very much.

4 Thank you, Mr. Chairman.

5 CHAIRMAN KOPLAN: Thank you.

6 Commissioner Hillman?

7 COMMISSIONER HILLMAN: Thank you, and I
8 would join my colleagues in welcoming you and thanking
9 you for your appearance.

10 Let me make sure I follow up a little bit on
11 this in terms of I'm trying to understand the
12 effectiveness of the order because I was very struck,
13 Mr. Cassidy, by your comment that the order applies to
14 chief weight cotton fabric and that domestically all
15 production of chief weight cotton is internally
16 consumed.

17 Help me understand then how it is that this
18 order has been effective in helping the industry if
19 the industry is not selling into the commercial market
20 any subject merchandise.

21 MR. CASSIDY: Well, first of all, as I'm
22 sure you know we are of the view that the industry is
23 the now five companies that make all grade cotton/
24 polyester fabric, which is in our view composed of the
25 two primary blends of 50/50 plus this other chief

1 weight cotton blend that appears to be internally
2 consumed.

3 The effectiveness of the order historically
4 is obvious. The imports which had surged dramatically
5 in the early 1980s basically disappeared as soon as
6 the order went into effect, and the industry went
7 through a long period of reasonably healthy conditions
8 up until really quite recently. Just after the
9 beginning of this review period things began to
10 deteriorate.

11 If you think about imports of the product,
12 we are talking about imports of chief weight cotton
13 competing with the like product as we consider it to
14 be, which is composed of all grade cotton/polyester.

15 COMMISSIONER HILLMAN: Part of the reason I
16 ask the question is if I look at the data again I
17 don't disagree with you that imports of chief weight
18 cotton product from China are non-existent to very low
19 in the market, but if I look at the other hand at
20 imports of other grade printcloth from China, meaning
21 it is not chief weight cotton, they are obviously
22 going up very substantially.

23 Hence the reason I'm just struggling with
24 how do I say this order has been so effective if
25 imports of what you are describing as the competing

1 product are nonetheless very much present in the
2 market and increasing?

3 MR. CASSIDY: I'm not sure we should be
4 thinking about looking back and saying was the order
5 effective in the past. Rather, aren't we supposed to
6 say what will be the result if there is no order?

7 It seems to me that because there has been a
8 significant increase in printcloth that is not chief
9 weight cotton that is an excellent indicator of the
10 likelihood that there will be a significant increase
11 of chief weight cotton printcloth once that order goes
12 away.

13 In fact, there's been a significant increase
14 of virtually every Chinese product category in
15 fabrics. Why is there no reason to believe that
16 imports of chief weight cotton will not increase once
17 the order --

18 COMMISSIONER HILLMAN: Again, this comes
19 back to my very first question because I'm trying to
20 make sure I understand. Who is going to be buying it
21 if there is no current commercial sale of chief weight
22 cotton product in the U.S.?

23 Why would there be an incentive for the
24 Chinese to shift from their current production of less
25 than chief weight cotton, and they are obviously

1 selling printcloth in here in the commercial market,
2 presumably 50/50. Why are they then going to shift if
3 this order is revoked?

4 Again, I'm trying to understand what on this
5 record tells me that they are going to shift back into
6 making chief weight cotton if there isn't a commercial
7 market in the U.S. for chief weight cotton product.
8 That's what I'm trying to get.

9 MR. CASSIDY: Remember, chief weight cotton
10 products can be 50/50.

11 COMMISSIONER HILLMAN: Yes, but again you
12 clearly are telling me that at this point the U.S.
13 producers of chief weight cotton product are only
14 internally consuming it. It's not being sold in the
15 commercial market.

16 MR. CASSIDY: That is what the staff report
17 says, yes.

18 In addition, what the staff report may
19 suggest, although this is the thing where the numbers
20 I think have to be looked at very closely because they
21 are a bit of a surprise to us, but the staff report
22 does suggest possibly a trend in the direction of
23 chief weight cotton, at least in terms of aggregate.

24 There may be an explanation for that, which
25 goes to the circumstances of a particular company, but

1 it also may be an explanation, and this is what we
2 have not had time to discuss thoroughly but have
3 preliminarily discussed. Another explanation may be
4 that in addition to some characteristics of a company
5 the underlying cost pushes are such that it makes
6 sense to go to cotton.

7 In fact, at least one of the domestic
8 producers of 50/50, although they are unable to prove
9 it unfortunately to us or to you, but nonetheless they
10 are willing to swear that in recent periods they have
11 been making chief weight cotton because of the
12 relatively lower cost of cotton and that they may well
13 keep moving that direction as the price of oil keeps
14 going up and up.

15 I am clearly speculating right now, but
16 nonetheless there may be drifts in the direction that
17 would cause any manufacturer to be moving in the
18 direction of cotton. If the Chinese had the freedom
19 to do it, if the order were eliminated, I have
20 absolutely no doubt that they would do it making
21 50/50. 50/50 is the big product.

22 COMMISSIONER HILLMAN: All right. Like I
23 said, I just want to make sure I understand what the
24 incentive is for the Chinese if there is not the same
25 commercial market.

1 If we go to the domestic production, is
2 anyone producing less than 47 percent cotton? Again,
3 I'm just trying to understand the blend issue. Is
4 there domestic production of something with less than
5 47 percent cotton?

6 MR. CASSIDY: Again, we will have to confirm
7 this with our industry experts. I understand the only
8 significant product in the marketplace that is less
9 than 47 percent cotton is a 70 percent manmade/30
10 percent cotton product.

11 COMMISSIONER HILLMAN: Okay. All right.
12 And it would be subject to the same plus or minus
13 three, but it is basically --

14 MR. CASSIDY: It would be plus or minus
15 three, but way down there.

16 COMMISSIONER HILLMAN: And presumably not an
17 apparel application?

18 MR. CASSIDY: No. Whatever it is, it has
19 nothing to do with these applications.

20 COMMISSIONER HILLMAN: Okay. All right. I
21 appreciate that.

22 Again, I don't want to go back forever on
23 this issue of what was the scope, but I was struck by
24 your comment, your oral comment that the change from
25 chief value to chief weight in the harmonized tariff

1 schedule did not change the scope of the order. I
2 believe that was your testimony.

3 I'm trying to make sure I understand that
4 because presumably the order now is on chief weight,
5 and yet the order started out on chief value so I'm
6 trying to make sure I understand whether you're
7 telling me as a legal matter it didn't change the
8 scope of the order or as a practical matter it did
9 not. Value and weight. Again, that cotton was more
10 valuable per weight than poly.

11 MR. CASSIDY: As a legal matter, we think
12 there is an issue which we hope to take up with the
13 Department of Commerce that the order as it is still
14 written today -- the order now -- still says chief
15 value, but has a reference to the HTS category that
16 says chief weight.

17 For purposes of this review, that is an
18 academic point because it is clear that the Commerce
19 Department in its review, sunset review, this time is
20 reviewing chief weight imports, and you in your notice
21 are reviewing chief weight imports.

22 In other words, everybody is sticking to the
23 harmonized tariff schedule terminology to define the
24 subject merchandise, and we are not disagreeing with
25 that assessment at this point.

1 Insofar as what does that mean in the
2 marketplace, chief weight imports can be 50/50 or they
3 cannot be. There are a few other blends that tend to
4 be very close to 50/50 -- they could be 55 or 60 as we
5 understand it -- that are also chief weight.

6 Again, we understand that you don't see
7 blends other than in this range really as a practical
8 matter. You've jumped to 100 percent otherwise in the
9 marketplace.

10 COMMISSIONER HILLMAN: But it's your view
11 again that the scope of the order did not change from
12 its original chief value form?

13 MR. CASSIDY: We believe that we have a good
14 argument for the Commerce Department in the future
15 that they have an order that says chief value, and
16 they ought to think seriously about applying it that
17 way, but that has nothing to do with what we're
18 looking at today.

19 COMMISSIONER HILLMAN: Okay. All right. I
20 understand what you're saying. It's my understanding
21 that at least Customs is applying it on a chief weight
22 basis, and certainly -- okay.

23 I'm having trouble with the fact that the
24 scope for us is not necessarily an academic issue. I
25 mean, for most issues --

1 MR. CASSIDY: No.

2 COMMISSIONER HILLMAN: -- we take as our
3 point of departure what the scope of the order is.

4 MR. CASSIDY: The scope of this
5 investigation is chief weight. We agree with that.

6 COMMISSIONER HILLMAN: Okay. If this works
7 this way, does this not let a lot of product that was
8 50/50 that was covered in the past? I mean, that's
9 what I'm trying to understand is as a substantive
10 matter has the scope changed? I mean, has there been
11 a real change in terms of how much duties are being
12 paid and on what?

13 MR. CASSIDY: If you apply the order only to
14 chief weight, you do not cover everything that the
15 original order did cover.

16 COMMISSIONER HILLMAN: Okay. That's what I
17 thought. All right. Thank you, Mr. Cassidy.

18 CHAIRMAN KOPLAN: Thank you, Commissioner.
19 Commissioner Pearson?

20 COMMISSIONER PEARSON: Thank you, Mr.
21 Chairman, and welcome to Wilmer I guess. It's good to
22 have you here.

23 I benefit greatly from the expertise of my
24 colleagues who have been through these sorts of issues
25 more than once, but let me go back if I could and take

1 a slightly different tact on the question that I think
2 Commissioner Hillman was getting at.

3 If I understand correctly, China currently
4 is able to ship without restriction printcloth up to
5 50 percent by weight of cotton. I mean, if it's
6 producing 47, 48, 49 percent weight by cotton,
7 whatever the terminology is, it can ship that into the
8 United States without restriction. Is that correct?

9 MR. CASSIDY: That is correct.

10 COMMISSIONER PEARSON: Okay. I think you've
11 indicated that there's quite open competition in the
12 U.S. marketplace for printcloth that fits this 50/50
13 definition with three percent variance on either side,
14 so it must be the case that the imports that currently
15 are coming in from China compete quite directly with
16 the imports, rather with the domestic production that
17 would be within that 50/50 category.

18 MR. CASSIDY: That is correct.

19 COMMISSIONER PEARSON: Okay.

20 MR. CASSIDY: As far as we understand it.

21 COMMISSIONER PEARSON: Okay. So in that
22 case if there's in effect no current restriction from
23 this order on that competition that the Chinese have
24 with U.S. production, you know, why is the order
25 currently providing any protection that's of any value

1 to the U.S. industry?

2 MR. CASSIDY: The industry is of the view
3 that the order does impose a discipline on the Chinese
4 because it prevents them from reacting to the
5 conditions of the marketplace in the sense that if
6 costs go up as we understand it, as our clients
7 understand it, most manufacturers will adjust to the
8 cost, and they will change the blend of the fabric so
9 if it makes sense to make more cotton they'll make
10 more cotton. If it makes sense to make less cotton,
11 they'll make less cotton.

12 The way this order works is that to the
13 extent one is talking about the 50/50 product, it
14 prevents the Chinese from moving in that direction,
15 and if they were to move in the direction of more
16 cotton they would face a very high dumping duty, which
17 would be appropriate and would have a direct effect on
18 competition with our client.

19 In addition to that, in the view of our
20 client, there are products, categories which go beyond
21 the 50/50 where if the Chinese were to appear in the
22 marketplace they obviously could compete, although at
23 the moment the marketplace today seems to be primarily
24 in the 50/50 product category.

25 Now, the question is is everything less than

1 50 percent. The answer to that is -- less than 50
2 percent cotton today. Is everything the domestic
3 producers make less than 50 percent cotton today?

4 The answer to that is it is extremely
5 difficult for us to say for reasons that your staff
6 got into when meeting with the producers and talking
7 with them on a day-to-day basis. There are reasons to
8 believe that because of market conditions there may
9 well be an incentive to change the actual blend of the
10 so-called 50/50 product to be composed of more cotton
11 because of the trends and relative costs. Indeed, we
12 would not be at all surprised to see that.

13 If the order stays in effect and that trend
14 continues to go that way then it will definitely be of
15 use to the domestic producers. If the order is
16 terminated when that goes on then you're just going to
17 have more imports. The Chinese will have more
18 flexibility. They can move with the marketplace, and
19 there will be a continued significant adverse effect
20 on the domestic producers.

21 I mean, the fact of the matter is that
22 presumably if they thought that the order had no
23 effect whatsoever they would not have decided to pay
24 our modest fees and asked us to show up. That is a
25 test.

1 I don't know how -- you can't necessarily
2 take that into account as another factor, but they
3 have certainly from the beginning of this exercise
4 taken the effort to participate in this fully as far
5 as they were required to do so, and that by itself
6 seems to indicate to us above and beyond the precise
7 facts of the case that they think this has an effect.
8 If it didn't they wouldn't bother.

9 COMMISSIONER PEARSON: Okay. Well, that's a
10 reasonable point.

11 A question about the Chinese manufacturers.
12 I assume that they took a number of years to fine tune
13 their production. Are they consistently able to
14 operate in a sufficiently sophisticated manner so that
15 they can produce a blend that is quite specific? Do
16 they ever accidentally send something that's more than
17 50 percent by weight and get the duty applied to it,
18 is what I'm trying to ask, or do they always keep it
19 right where it slides in, not having the duty applied?

20 MR. CASSIDY: I would not be shocked if
21 importers of product from China occasionally made a
22 mistake or conceivably even lied to the Customs
23 Service, but I don't have any evidence that either one
24 of those happens, but it's certainly conceivable, yes.

25 COMMISSIONER PEARSON: So the manufacturing

1 process itself isn't so difficult or tricky that you
2 would necessarily stray on one side of the line or the
3 other. The Chinese --

4 MR. CASSIDY: I cannot tell you how closely
5 the Chinese are able to monitor the components of
6 their production.

7 In the case of the U.S., if the precise
8 weight of a given piece of fabric was a piece of
9 information that they needed to have, then the
10 computerized production control methods that they use
11 would allow them to know whether a particular piece of
12 cloth was, you know, 51.2 or whatever by weight.

13 In general, my impression, but here, I
14 think, frankly, your staff is more knowledgeable about
15 conditions in China than we are or, indeed, even my
16 clients are, my impression is that while some Chinese
17 fabric producers are extremely sophisticated, most of
18 them are not; and, therefore, it might be quite
19 difficult for them to know exactly what the blend they
20 are producing is.

21 COMMISSIONER PEARSON: At what point in the
22 production process is the blend determined?

23 MR. CASSIDY: At the very beginning. It's
24 when the spinning of the yarn takes place.

25 COMMISSIONER PEARSON: Okay. So there are

1 two strands of material going into the yarn: a
2 polyester stream and a cotton stream. You get a bale
3 of cotton and a bale of man-made fiber, and they are
4 parted and fed into the machine, the spinning
5 machines, and you get yarn out. Each thread is
6 composed of both components.

7 COMMISSIONER PEARSON: Okay. Thank you.
8 What is the normal tariff that the United States
9 applies on imports of printcloth from China, not the
10 antidumping duty but just the underlying tariff?

11 MR. CASSIDY: The number, 15 cents, is in my
12 head, but I don't -- excuse me -- 10.2 percent is the
13 MFN rate.

14 COMMISSIONER PEARSON: Okay. That,
15 obviously, stays in place, and U.S. manufacturers have
16 that benefit currently --

17 MR. CASSIDY: Correct.

18 COMMISSIONER PEARSON: -- in this open
19 competition that we discussed before the 50/50
20 product.

21 Could you comment on why producers that
22 manufacture a substantial portion of printcloth in the
23 United States are not supporting an extension of the
24 order? It's not a unanimous position of the U.S.
25 industry.

1 MR. CASSIDY: Somebody slap my hand if I say
2 anything that is confidential information, but there
3 is one producer who does not support continuation of
4 the order, there are three producers who do support
5 continuation of the order, and there is one producer
6 who has no opinion. And so what you have is a
7 producer is, as I recall, entirely internal
8 consumption and is an importer who opposes, and you
9 have four other producers who, as I recall, are not
10 importers or not significant importers -- I think, not
11 importers at all, although I stand to be corrected --
12 who support. One of the producers who supports is
13 also an exporter. I believe it's correct that none of
14 the others are exporters of these products.

15 COMMISSIONER PEARSON: My light is changing,
16 so let me pass. Thanks.

17 CHAIRMAN KOPLAN: Thank you, Commissioner
18 Pearson.

19 Mr. Cassidy, I direct your attention to
20 Appendix D of the confidential staff report.
21 Actually, the part I'm getting into is in the public
22 version as well. It contains excerpts from U.S.
23 producers' comments regarding the effects of the
24 antidumping duty order and the likely effects of
25 revocation. Specifically, three questions are set

1 forth in Appendix D, and I'm going to summarize those
2 for you.

3 The first one is, they were asked whether
4 they anticipate any changes in the character of their
5 operations or organizations relating to the production
6 of greige polyester/cotton printcloth in the future if
7 the order were to be revoked.

8 Secondly, they were asked to describe the
9 significance of the order in terms of its effect on
10 their production capacity, production, U.S. shipments
11 inventories, purchases, employment revenues, costs,
12 profits, cash flow, capital expenditures, research and
13 development expenditures, and asset values.

14 Thirdly, they were asked whether they
15 anticipate any changes in their production capacity,
16 production, U.S. shipments, purchases, or employment
17 relating to the production of greige, polyester/cotton
18 printcloth in the future if the order were to be
19 revoked.

20 For the purposes of the post-hearing, I
21 would like you to address the responses of Alice
22 Manufacturing Company, Inc., to those questions.
23 Okay?

24 MR. CASSIDY: Uh-huh.

25 CHAIRMAN KOPLAN: So if you would do that, I

1 would appreciate that greatly.

2 In your prehearing brief in this second
3 review, you state, at page 3, and I quote: "The
4 Commission found in the original investigation that
5 the most prevalent domestically produced product that
6 is like the subject merchandise is 50 percent cotton
7 and 50 percent polyester." However, your footnote
8 reference to the publication at A-2 appears to me to
9 be a cite to the staff report, not to the original
10 determination because the original determination
11 doesn't have any appendices.

12 MR. CASSIDY: Uh-huh.

13 CHAIRMAN KOPLAN: Now, in the original
14 investigation, Commerce defined the subject
15 merchandise as imports and chief value, and chief
16 value of cotton.

17 The Commission defined the like product to
18 be coextensive with the scope. In that investigation,
19 the Commission stated: "For purposes of this
20 investigation, domestic polyester/cotton printcloth
21 that contains 50 percent or more of cotton by weight
22 is considered to be equivalent to polyester/cotton
23 printcloth and chief value of cotton. Thus, the
24 domestic industry consists of the domestic producers
25 of this product." That's the original investigation

1 at pages 4 and 5. It's not as you refer to in your
2 prehearing brief, and I think, as I said, that
3 reference that you're citing is not to our
4 determination at that time but to the staff report.

5 MR. CASSIDY: Staff report.

6 CHAIRMAN KOPLAN: I would also call your
7 attention to this language in the public version of
8 our current staff report: "The Commission received
9 substantive responses to the notice of institution
10 from Alice and Mount Vernon, domestic producers of
11 greige polyester/cotton printcloth of chief-value
12 cotton. Alice and Mount Vernon endorse a domestic
13 like product that would encompass 50/50 greige
14 polyester/cotton printcloth, a product consisting of
15 50 percent polyester fiber and 50 percent cotton
16 fiber." The reference there is to their response for
17 information at 5. This is all public.

18 "Cotton is more expensive than polyester."
19 That's also footnoted to their response to the request
20 for information. "The domestically produced 50/50
21 product typically contains more polyester by weight
22 than cotton but is still in chief-value cotton."
23 Again, with references to their response.

24 "Therefore," the report goes on to say, "the
25 50/50 product is of chief-value cotton but not of

1 chief-weight cotton. Alice and Mount Vernon consider
2 50/50 greige polyester/cotton printcloth like and
3 directly competitive with the subject merchandise."
4 Again, a reference to them. Okay?

5 MR. CASSIDY: Right.

6 CHAIRMAN KOPLAN: So it would appear to me
7 that we're not splitting hairs here when we're talking
8 about the difference between chief value and chief
9 weight. Do you want to comment on that?

10 MR. CASSIDY: With respect to the statement
11 at the time of institution that Alice and Mount Vernon
12 made chief-weight cotton, that is the information that
13 Alice and Mount Vernon supplied to us at that time,
14 and we had no reason to believe that their information
15 was inaccurate. Upon examination and after a great
16 deal of work with them, it is now our conclusion that
17 one of those companies does not make chief-weight
18 cotton, or has not in recent times, at least. The
19 other company probably does, but it is very difficult
20 for them to show us that and, therefore, to show you
21 that, and the reason is because of the way they keep
22 their records or don't keep their records.

23 Setting that aside for the moment, we
24 continue to be of the view that, yes, indeed, the
25 subject merchandise is, in fact, chief-weight cotton,

1 and the question for you to consider is, what does
2 chief-weight cotton compete with in the U.S. market?
3 What is the like product in the U.S. market?

4 We are of the view that the like product in
5 the U.S. market is all-greige polyester/cotton
6 printcloth, which is composed of that portion of 50/50
7 printcloth that is, in fact, in chief-weight cotton
8 plus other blends that are quite similar to that,
9 55/60 percent, that the distinctions between those
10 blends is, in fact, splitting hairs in a way that
11 Congress did not intend the Commission, for you to
12 split hairs because those products all compete
13 directly with each other and are like each other in
14 all respects -- manufacturing, channels of
15 distribution, and final uses -- and, therefore, that
16 the domestic like product should be considered to be
17 all of the greige polyester/cotton printcloth and the
18 producers of --

19 CHAIRMAN KOPLAN: Let me ask you this. On
20 page 6 of your prehearing brief, you state, and I
21 quote: "The domestic like product of the subject
22 imports of plain, light-weight, unfinished fabrics
23 that contain a blend of polyester and cotton yarns
24 have no material differences in terms of physical
25 appearance, weight, or texture and are both used to

1 make a pair of components -- pillows, sheets,
2 comforters, bed spreads, mattress covers, pajamas, and
3 home furnishings."

4 However, I note that the confidential staff
5 report states that, and I quote: "The two types of
6 printcloth would have tear and tensile-strength
7 differences, and the printcloth of chief-weight cotton
8 would be slightly heavier and have a better feel to
9 the touch." That's in Chapter 1 at page 18.

10 Do you not consider such differences in tear
11 or tensile strength or the fact that printcloth of
12 chief-weight cotton would be slightly heavier and have
13 a better feel to the touch to be material differences?

14 MR. CASSIDY: No, because the market does
15 not consider that to be the case, and we will provide
16 you information on that point.

17 CHAIRMAN KOPLAN: Which you have not
18 provided thus far, I take it.

19 MR. CASSIDY: The record speaks for itself
20 at this point.

21 CHAIRMAN KOPLAN: Okay. If you have not
22 already responded to staff's request for information
23 regarding the methodology used by Alice to calculate
24 inventory, will you provide this information, as well
25 as supporting documentation, in your post-hearing

1 brief?

2 MR. CASSIDY: We will do so.

3 CHAIRMAN KOPLAN: If you have not already
4 responded to staff's request for a complete set of
5 Mount Vernon's financial data for the entire review
6 period, will you provide this information in your
7 post-hearing brief?

8 MR. CASSIDY: We will make every attempt to
9 get Mount Vernon to do that, yes.

10 CHAIRMAN KOPLAN: Do you anticipate a
11 problem with that?

12 MR. CASSIDY: We've had some difficulties
13 with Mount Vernon's financial information, but we'll
14 make every effort we possibly can.

15 CHAIRMAN KOPLAN: Okay. I see my red light
16 is about to come on. I'll turn to Vice Chairman Okun.

17 VICE CHAIRMAN OKUN: Thank you, Mr.
18 Chairman.

19 Mr. Cassidy, if I can go back in your
20 responses to some of the questions. In your
21 testimony, you had talked about the discipline that
22 you thought the order brought, recognizing that the
23 scope is chief weight, that the Chinese did not have
24 the incentive to ship into it with the order in place,
25 and you also referenced kind of the broader increase

1 in other products. And the one thing I was curious
2 about and wanted you to comment on, and I have to
3 admit, I'm not as familiar at reading these textile
4 lines as Commissioner Hillman is, so I'm going to go
5 through them here and have you comment and see if I'm
6 looking at the right category.

7 If I look at what has come out of -- there
8 has obviously been a lot of talk about what's happened
9 since the quotas have come off in the different
10 categories, but looking at Category 315, which I
11 understand is the cotton printcloth fabric, the
12 general category, if I look at the most recent data on
13 that, that is an area where, in fact, the imports have
14 declined in the most recent period, and in looking at
15 it, -- I'm looking at the calendar years, as well as
16 the March '04 to March '05 -- the preliminary data,
17 and I wanted you to comment on that, whether that is
18 the correct category to be looking at.

19 MR. CASSIDY: As I recall, Category 315 does
20 cover chief-weight cotton printcloth and some other
21 products. If you had printcloth that was chief-weight
22 polyester, it would be under a different category,
23 615, I think, but I will confirm that.

24 VICE CHAIRMAN OKUN: Okay.

25 MR. CASSIDY: So the numbers you're looking

1 at cover partial -- if you're thinking of 50/50, it
2 covers some 50/50 but not all 50/50.

3 VICE CHAIRMAN OKUN: Okay, okay. If I look
4 at 615, which I also have here, it also looks like
5 it's gone down, and I just wanted you to respond to
6 that, whether that's consistent with how you argue
7 that.

8 MR. CASSIDY: We will provide you a more
9 thorough answer in writing, but it is consistent with
10 what everybody observes as market conditions in the
11 U.S., which is the demand for this product is
12 declining.

13 VICE CHAIRMAN OKUN: Okay. So you would say
14 that just demand for the product overall is declining
15 and not that you see them bringing in more around it.

16 MR. CASSIDY: Well, it's also true that the
17 Chinese are sending more finished product to the U.S.,
18 but I can't say that there is a correlation between
19 that and what you see in the import numbers for this
20 fabric.

21 VICE CHAIRMAN OKUN: Okay. I appreciate
22 that. Then, if I could, if I could go back to some of
23 the references with regard to what the incentives are
24 and when cotton prices are high, and polyester prices,
25 when they switch, what the incentive of the Chinese

1 might be in terms of what blend they send in, I
2 wondered if your clients or if you can provide for us
3 their projections going forward on both cotton and
4 polyester. I know the staff has, in Figure 1, 5-1 of
5 our staff report on page 5-3, we've tracked cotton and
6 polyester during the period up through January '05,
7 but I would be interested in projections that your
8 clients might have looking forward. Would those be
9 available, or have you seen those?

10 MR. CASSIDY: I believe we can get from them
11 their estimates for the foreseeable future for their
12 purposes, which is going to be quite a short time
13 horizon, but, yes, we can get that.

14 VICE CHAIRMAN OKUN: Okay.

15 MR. CASSIDY: It's not going to be a
16 projection such as your staff might be able to get,
17 looking out over a period of years.

18 VICE CHAIRMAN OKUN: I need anything that
19 they have on that, and then the other thing, if you
20 could comment on, and you can do this post-hearing,
21 which is the argument you've made with regard to what
22 we might see in reference to when there is divergence
23 in the prices. During the period, we have, of course,
24 seen that where cotton prices went way up, cotton
25 prices went down, and polyester stayed much more flat

1 lined, but if you would please comment for me on
2 whether you think the Chinese have behaved as you say
3 they would going forward, based on what they have done
4 historically here.

5 MR. CASSIDY: Okay. We will make our best
6 effort at that. Of course, we will be speculating
7 about what they might do, but --

8 VICE CHAIRMAN OKUN: Right. But in terms
9 of, again, if we're making an argument on what they do
10 in cost, and obviously there is an order in place, --

11 MR. CASSIDY: Right.

12 VICE CHAIRMAN OKUN: -- but just if you
13 could see if you think that it is consistent with that
14 argument.

15 MR. CASSIDY: We'll do so.

16 VICE CHAIRMAN OKUN: And with that, I don't
17 have any further questions, Mr. Chairman.

18 CHAIRMAN KOPLAN: Thank you.

19 Commissioner Hillman?

20 COMMISSIONER HILLMAN: If I could, I'm
21 trying to understand a little bit in terms of what's
22 going on in the market, because if I look at the data
23 that we have in our record for all greige
24 polyester/cotton printcloth, it clearly shows, you
25 know, a fairly significant increase in consumption

1 through 2002 and then a very substantial decline in
2 2003 and 2004. What's going on? Can you help me
3 understand what's happening in the market?

4 MR. CASSIDY: Looked at from 30,000 feet,
5 what we understand from our clients is that you have
6 had a period in which the underlying economy, say, in
7 the last three years, has been growing reasonably
8 well; and, therefore, abstractly, one would think
9 demand would, at least, have an upward trend. It has
10 not. Why not?

11 The most obvious reason for this is that
12 under the Uruguay Round Agreement on Textiles and
13 Clothing, you have had the progressive liberalization
14 of quotas in the sense of growth. I'm not talking
15 about the quotas that were terminated early on but the
16 serious quotas that have just come off, nonetheless,
17 grew quite dramatically, and as a consequence of that,
18 you have had significant imports from all sources in
19 the last few years, and then, of course, as of January
20 1, the quotas have completely disappeared.

21 It is the increase in imports of finished
22 goods, as well as fabric, but particularly of finished
23 goods, that is probably the major factor explaining
24 what you are seeing. I'm sure there were some other
25 things going on, too, but that's the one the industry

1 tends to think of as being the major explanation.

2 COMMISSIONER HILLMAN: Meaning finished
3 printcloth that has been dye finished, et cetera, or
4 that is actually already in the draperies, the sheets,
5 the bed spreads, the pockets, the --

6 MR. CASSIDY: It's actually both, but, in
7 general, it's the finished clothing, finished pockets,
8 finished curtains, finished sheets.

9 COMMISSIONER HILLMAN: Okay. Has there been
10 a significant reduction in the capacity of the U.S. to
11 finish printcloth? Have we lost a lot of the
12 converters?

13 MR. CASSIDY: I cannot answer that question.
14 I will do my best to answer that question. My
15 impression, which is only an impression, is that there
16 has been some reduction in capacity, but it's not an
17 explanation of what we see going on here.

18 COMMISSIONER HILLMAN: Okay. All right.
19 Now, the staff report also shows, arguably,
20 significant quantities of imports of chief-weight
21 cotton from other sources. Can you tell me, do you
22 have any information on the blends of these nonsubject
23 imports? I'm trying to make sure I understand what's
24 going on in this chief-weight cotton market.

25 MR. CASSIDY: Okay. Again, the customs data

1 don't tell us anything about this, so all we have to
2 go on is information, anecdotal information, some of
3 which is on the record here, but it does appear that
4 the imports of the chief-weight -- first of all, we're
5 not talking about 100 percent ever, so the imports of
6 the chief-weight products tend to be in this same
7 range, somewhere in the 56, --

8 COMMISSIONER HILLMAN: So they are 51?

9 MR. CASSIDY: -- well, 51, 52, 53, 60, 55 to
10 60, in that general range, yeah.

11 COMMISSIONER HILLMAN: Okay. All right.
12 Again, I'm trying to make sure I understand the
13 dynamics here. If I look at the figures, there is
14 clearly a steady rise in the domestic production of
15 the chief-weight cotton printcloth. I'm trying to
16 understand, is there an identifiable demand?

17 MR. CASSIDY: That may be confidential
18 information. I'm not sure.

19 COMMISSIONER HILLMAN: The data itself
20 clearly is, the numbers themselves.

21 MR. CASSIDY: If you're comfortable with the
22 trend, so am I.

23 COMMISSIONER HILLMAN: The trend is up.

24 MR. CASSIDY: Okay.

25 COMMISSIONER HILLMAN: I'll just say the

1 trend is up. I'm not going to give you an numbers,
2 but the trend is up. I'm trying to understand whether
3 that indicates that there is an identifiable demand
4 for this product that's separate from the demand for
5 printcloth, I mean, all printcloth.

6 MR. CASSIDY: Again, what we understand from
7 the participants in the market with whom we have
8 spoken is the answer is no, but we can go back to
9 these people and see if they will give us a very
10 precise answer to that question.

11 COMMISSIONER HILLMAN: Okay, okay. Your
12 sense is, the only reason we're seeing this upward
13 trend is purely this issue of the relationship between
14 the price of cotton and the price of poly.

15 MR. CASSIDY: That is, again, what we
16 understand.

17 You will also see, if you were to take a
18 look at the trends in the production of the chief-
19 weight cotton, that the financial trends are in the
20 other direction; they are going down. One explanation
21 from that may well be that imports of chief-weight
22 cotton product going to their customers could be
23 causing the customers to force down the prices being
24 charged by the single producer of that product.

25 This is a question we will have to discuss

1 with that company, if we can, and we think we probably
2 can, but I don't know that.

3 COMMISSIONER HILLMAN: Because that was the
4 other issue I wanted you to comment on, is what we
5 should make of whether there are any significant
6 differences that you would want us to focus on between
7 those that are producing product for the commercial
8 market versus those that are producing product for
9 internal consumption because there do seem to be some
10 differences there on the financial side, again, all of
11 the data confidential, but whether there is anything
12 that we should read into that data in terms of what it
13 suggests if the product coming is going into the
14 commercial market.

15 MR. CASSIDY: We will do that.

16 COMMISSIONER HILLMAN: Okay. And with that,
17 I think I have no further questions at this time, Mr.
18 Chairman. Thank you.

19 CHAIRMAN KOPLAN: Thank you, Commissioner.
20 Commissioner Pearson?

21 COMMISSIONER PEARSON: As a legal matter,
22 should we take into account, in making our
23 determination, the reality that producers accounting
24 for only a relatively modest portion of U.S.
25 production of printcloth are supporting the extension?

1 MR. CASSIDY: No. It does seem to me that
2 the Commission has made its determinations on
3 adequacy, and we are now in the review where you are
4 looking at a factual record that speaks to the
5 condition of all producers, however you end up
6 defining the industry, but all producers, and, at this
7 stage, whether or not a particular company is voting
8 for or against or is neutral should have no effect.

9 The only thing, it seems to me, that you
10 can, at this point, take into account legally is
11 whether or not a particular domestic producer is also
12 an importer, and that may or may not have any
13 implications for its results, but insofar as the
14 attitude of the producers at this stage, I don't
15 believe it is a matter that you should be taking into
16 account.

17 COMMISSIONER PEARSON: Okay. Thank you. My
18 last question has to do with the tariff-rate-quota
19 regime that's recently gone out of existence. There
20 have been some references to it here. I just I wanted
21 to make sure I understand.

22 Was there a specific quota that applied to
23 printcloth?

24 MR. CASSIDY: Well, it wasn't tariff rate;
25 it was absolute quotas.

1 COMMISSIONER PEARSON: Absolute. Excuse me.

2 MR. CASSIDY: And, yes, -- Commissioner
3 Hillman is nodding her head -- there was a Category
4 315 which covered fabrics like the printcloth, -- it
5 wasn't just printcloth -- and my recollection is that
6 there were no sublimits on printcloth, but I will
7 double-check that. So it was subject to constraints,
8 along with other things in this basket, this Category
9 315.

10 COMMISSIONER PEARSON: And was that Category
11 315 filled every year, or were there unfilled --

12 MR. CASSIDY: It depends on the supplier.
13 In the case of China, no.

14 COMMISSIONER PEARSON: So would we then
15 infer that the quota regime was not a constraint on
16 the Chinese ability to ship product into this market?

17 MR. CASSIDY: Yes, in those periods, yes.
18 The dumping order was a constraint, but the quota, as
19 such, as not a constraint.

20 COMMISSIONER PEARSON: Okay. Do you know
21 over what period of time the quota was not a
22 constraint? Does that go back through a significant
23 portion of our period of review?

24 MR. CASSIDY: Well, I think you have this
25 data on the record, but I don't believe that the

1 Category 315 quota was ever filled during the period
2 of review, but you can look at the record.

3 COMMISSIONER PEARSON: Thank you very much.

4 I have no further questions, Mr. Chairman.

5 CHAIRMAN KOPLAN: Thank you, Commissioner
6 Pearson.

7 I have just a little bit. First, as a
8 housekeeping matter, the two memoranda of the
9 Department of Commerce, one dated February 19, 1999,
10 and the other one date February 25, 1999, I've
11 submitted to the secretary's office to have those made
12 a part of this record. I assume you have those
13 because you participated in that investigation.

14 MR. CASSIDY: I assume I have them, too,
15 yes.

16 CHAIRMAN KOPLAN: Okay. I've included them
17 as documents in this investigation.

18 And I had this one question: Assume, for
19 argument's sake, that I rely on the data contained in
20 Table C-1 to our confidential staff report. The data
21 listed in that table is all BPI. The heading on the
22 table is not. That's the table that contains data
23 with regard to greige polyester/cotton printcloth of
24 chief-weight cotton, summary data concerning the U.S.
25 market from 1999 to 2004, and the source for that data

1 is public. The data was compiled from data submitted
2 in response to Commission questionnaires and from
3 official Commerce statistics.

4 My question to you is, do you accept the
5 accuracy of the data in that table, if I choose to
6 rely on it?

7 MR. CASSIDY: That is, I believe, a question
8 Commissioner Okun raised generally earlier. These
9 numbers are not consistent with what our clients
10 understand about the marketplace, and we do intend to
11 learn as much as we can about them, and if we have
12 comments about their accuracy, we will certainly give
13 them to you.

14 CHAIRMAN KOPLAN: If, in doing so, you can
15 be specific to the categories.

16 MR. CASSIDY: No, no. I understand exactly
17 -- I think I understand exactly what you're talking
18 about, --

19 CHAIRMAN KOPLAN: Good.

20 MR. CASSIDY: -- and we will attempt to get
21 at this information. You will appreciate that the
22 source of the information --

23 CHAIRMAN KOPLAN: Excuse me. You do
24 understand that's why I asked you about follow-up
25 submissions from both of your clients in my prior

1 round.

2 MR. CASSIDY: I understand that. One
3 difficulty we have, and we will attempt to overcome
4 it, is that the data about the chief-weight product
5 comes from one company, which is not our client, but
6 we believe we can perhaps get information from them
7 for you.

8 CHAIRMAN KOPLAN: I appreciate that. I
9 appreciate the answers to all of my questions. I have
10 nothing further. Let me see if there are additional
11 questions from the dais. It appears that there are
12 none. I will now turn to Mr. Deyman to see whether
13 staff has questions of these two witnesses.

14 MS. DRISCOLL: Mr. Chairman, Karen Driscoll,
15 the Office of the General Counsel.

16 Mr. Cassidy, my question has to do with the
17 industry in China, or you could ask your clients
18 whether they happen to know whether the same producers
19 in China produce or are capable of producing both the
20 greige polyester/cotton printcloth of chief weight and
21 50/50, whether there is a difference between the
22 producers in China. They may not know, but I would
23 like to, since we don't have the Respondents here, to
24 the extent that we can find out anything about that, I
25 would like to know.

1 MR. CASSIDY: We will certainly talk with
2 our clients, and if we can find a cooperative
3 importer, we will ask them. The answer to the
4 question, as we understand it, is, yes, that any
5 manufacturer of polyester/cotton printcloth can make
6 above or below 50/50. If you get to very high
7 numbers, and if you got to 80 percent, maybe there
8 would be some restraints, but as a mechanical matter,
9 there is no reason why a manufacturer of 45 cotton/55
10 polyester can't make 55 cotton/45 polyester, but we
11 will get you any information we can from experts on
12 that.

13 MR. DEYMAN: George Deyman, Office of
14 Investigations. I have one question.

15 Although the Customs Service is applying the
16 antidumping duties to the product of chief-weight
17 cotton, and you agree, and everyone seems to agree,
18 that the scope is on the chief-white cotton product,
19 when Commerce published its continuation of the
20 antidumping duty order in 1999, and in that
21 continuation, Federal Register Notice 64-FR, page
22 42661, Commerce published the scope also, and in that
23 scope they made no mention of either chief-weight or
24 chief-value cotton, and I would just like to know, now
25 or in your post-hearing brief, in your opinion, why

1 there was no mention and what implications, if any, it
2 has for the scope of this case.

3 MR. CASSIDY: You have identified one of the
4 specific things that leads us to conclude that we need
5 to have a serious conversation with the Department of
6 Commerce about the scope of this order, as they are
7 applying it and will apply it, but we will comment on
8 that in our brief.

9 MR. DEYMAN: The staff has no further
10 questions. Thank you.

11 CHAIRMAN KOPLAN: Thank you for those
12 questions, Mr. Deyman.

13 That brings us to a close. I want to thank
14 you for your testimony today, and I look forward to
15 your post-hearing submissions.

16 Post-hearing briefs, statements responsive
17 to questions and requests of the Commission, and
18 corrections to the transcript must be filed by April
19 12, 2005. Closing of the record and final release of
20 data to parties is May 3, 2005. Final comments are
21 due May 5, 2005. And with that, this hearing is
22 adjourned.

23 (Whereupon, at 11:04 a.m., the hearing was
24 adjourned.)

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Greige Polyester
INVESTIGATION NO.: 731-TA-101
HEARING DATE: April 5, 2005
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: April 5, 2005

SIGNED: LaShonne Robinson
 Signature of the Contractor or the
 Authorized Contractor's Representative
 1220 L Street, N.W. - Suite 600
 Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
 Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Bernadette Herboso
 Signature of Court Reporter