COMMISSION REGULATION (EC) No 773/98

of 7 April 1998

imposing a provisional anti-dumping duty on imports of certain unbleached cotton fabrics originating in the People's Republic of China, Egypt, India, Indonesia, Pakistan and Turkey

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community ([1]), as amended by Regulation (EC) No 2331/96 ([2]), and in particular Article 7(1) thereof,

After consulting the Advisory Committee,

Whereas:

A. PROCEDURE

(1) On 11 July 1997, the Commission announced by a notice published in the *Official Journal of the European Communities* ([3]), hereinafter referred to as the 'notice of initiation', the initiation of an anti-dumping proceeding with regard to imports into the Community of certain unbleached cotton fabrics originating in the People's Republic of China, Egypt, India, Indonesia, Pakistan and Turkey and commenced an investigation.

(2) The proceeding was initiated as a result of a complaint lodged by the Cotton and Allied Textile Industries of the EU (Eurocoton) on behalf of Community producers representing a major proportion of Community production of the like product. In this respect, references to 'Community production' relate to production destined for the non-captive market of the product concerned.

(3) The non-captive market of the product concerned is that constituted by open-market sales of unbleached cotton fabrics, that is by Community weavers' sales to independent buyers. In contrast, the captive market is constituted by those transactions that take place within the scope of an integrated group, that is where they weave unbleached cotton and, in a further production step, finish and/or make up the cloth.

It is the practice of the Community institutions, as confirmed by the Court of Justice, to exclude from the analysis of injury sales on the captive market when a clear separation exists between both the captive and the free market. Since the captive production is not sold on the free market, it does not compete directly with imports of the like product.

In those instances, since the analysis of injury relates to the Community industry as defined according to Article 4 of Regulation (EC) No 384/96 (hereinafter referred to as the 'Basic Regulation'), that is to say excluding the sales on the captive market, and since Article 4 refers to Article 5(4) which establishes the rules on standing, it follows that the requirement concerning standing must also be assessed by reference to production sold on the free market.

The complaint contained sufficient evidence of dumping of the product originating in the countries indicated above, and of material injury resulting therefrom; this evidence was considered sufficient to justify initiating a proceeding.

(4) The Commission officially advised the procedures, exporters and importers known to be concerned, the represenatives of the exporting countries, and the complainant, and gave the parties concerned the opportunity to make their views known in writing and to request a hearing within the time limits set out in the notice of initiation.

(5) A number of producers/exporters in the countries concerned and a number of importers made their views known. All interested parties who so requested were granted a hearing.

(6) In view of the large number of Community producers manufacturing the product concerned in the Community and supporting the complaint, and in conformity with Article 17(1) of the Basic Regulation, it was considered appropriate to make use of sampling techniques and send questionnaires to and receive information from a representative sample of Community producers.

(7) In view of the large number of producers/exporters in the exporting countries concerned, sampling was also used and the Commission sent out questionnaires to and received detailed information from a representative sample of producers/exporters.

(8) The number of unrelated importers that made themselves known within the deadlines laid down in the notice of initiation and wished to cooperate was too large to be investigated within the time available. Therefore, the Commission decided to resort to a sample of unrelated importers. Interested

([1]) OJ L 56, 6. 3. 1996, p. 1.
([2]) OJ L 317, 6. 12. 1996, p. 1.
([3]) OJ C 210, 11. 7. 1997, p. 13.

unrelated importers were invited to provide information on turnover, purchases and employment relating to both total company and the product concerned for the year 1996 on the basis of which the Commission sampled eight unrelated importers located in the following three Member States, which were considered most representative in terms of volume of imports: the United Kingdom, Germany and Italy. Questionnaires were sent to the sampled unrelated importers. Four responses were received within the time limits.

(9) Interested parties were invited to comment on the sampling and the companies selected were disclosed to those parties. No substantive comments were received from interested parties on this approach.

(10) The following unrelated importers were selected:

— United Kingdom:
  — Broome & Wellington,
  — Joshua Wardle Ltd,
  — Premier Textiles Ltd,
  — Claremont Fabrics;
— Germany:
  — Itochu Deutschland GmbH,
  — KLW Textilvertrieb GmbH,
  — G. Koppermann & Co. GmbH;
— Italy:
  — New Nicoltex SRL.

(11) The Commission sought and verified all the information it considered necessary for the purpose of a provisional determination of dumping and injury and carried out investigations at the premises of the following companies:

(a) *Community producers*

— Germany:
  — Ettlin Gesellschaft für Spinnerei und Weberei AG,
  — Velener Textilwerke Grimmelt Wevers & Co. GmbH,
  — H. Hecking Söhne,
  — F. A. Kümpers GmbH & Co.;
— Italy:
  — Tessiture Niggeler & Küpfer SpA,
  — Standartela SpA;
— France:
  — Éts des Fils de V. Perrin,
  — Tenthorey,
  — SA HGP GAT,
  — Fil. et Tis. de Saulxures;
— Spain:
  — Hilados y Tejidos Puigneró, SA;
— Portugal:
  — Incotex-Indústria e Comércio de Têxteis, Lda;
— Belgium:
  — Le Compte Textielfabrieken NV;

(b) *Producers/Exporters*

— Egypt:
  — Misr Spinning and Weaving Co., Mehalla el-Kubra,
  — Misr Fine Spinning and Weaving Co., Kafr el-Dawar,
  — Misr El Amria Spinning and Weaving Co., Alexandria;
— India:
  — Century Textiles & Industries Ltd, Bombay,
  — Mafatlal Industries Limited, Bombay,
  — Coats Viyella India Ltd, Bangalore,
  — Vardhman Spinning & General Mills Ltd, Ludhiana,
  — Virudhunagar Textile Mills Ltd;
— Indonesia:
  — PT Argo Pantes, Jakarta,
  — PT Daya Manunggal, Jakarta,
  — PT Eratex, Jakarta,
  — PT Apac Inti Corpora, Jakarta,
  — PT Eratex Djaja, Surabaya;
— Pakistan:
  — Lucky Textile Mills, Karachi,
  — Diamond Fabrics Ltd, Sheikhupura, Lahore,
  — Nishat Mills Ltd, Faisalabad,
  — Kohinoor Raiwind Mills Ltd, Lahore,
  — Kohinoor Weaving Mills Ltd, Lahore;
— Turkey:
  — Birlik Mensucat Ticaret ve Sanayi Isletmesi AS Kayseri ('Birlik Mensucat'), Kayseri,
  — Söktas Pamuk ve Tarim Ürünlerini Degerlendirme Ticaret ve Sanayi AS ('Söktas'), Söke,
  — Tureks,
  — Teksmobili,
  — Alfa.

(12) The investigation period for the determination of dumping was from 1 January 1996 to 30 June 1997. The examination of injury covers the period from 1 January 1993 to 30 June 1997.

B. **PRODUCT**

1. **Product under consideration**

(13) The proceeding covers flat unbleached cotton fabrics containing at least 85 % cotton, that is those fabrics composed of cotton obtained from orthogonal interlacing, on plane looms, of textile yarns, and destined primarily for use in the clothing, linen and furniture industries, currently classifiable under CN codes 5208 11 90 to 5208 19 and 5209 11 to 5209 19.

(14) This product is produced in a great variety of types or constructions, according to a combination of the count (weight) of the yarn used, the number of threads used in both warp and weft and the way yarns are interlaced.

(15) All types of the product under consideration are produced basically on the same machinery and all of them can generally be produced to order.

(16) Several requests have been presented for the exclusion of certain types of unbleached cotton fabrics from the scope of the proceeding. These requests make reference to specific uses and specific constructions, some of which are allegedly not manufactured in the Community. They include fabrics made of ring-spun (conventional) yarn, handloom fabrics, jacquard and stretch fabrics, fabrics for embroidery and fabrics weighing under 100 gr/m^2.

(a) *Cotton fabrics manufactured with ring-spun yarn*

(17) Some parties have claimed that fabrics made of ring-spun yarn should be considered a different product from those fabrics made from open-end yarn, in view of their different resistance. It was also argued that since there existed no Community production of fabrics made of ring-spun yarn, those fabrics should be excluded from the scope of the proceeding.

(18) The Commission found, however, that the essential characteristics and uses both of fabrics made of ring-spun yarn and fabrics made of open-end yarn remain the same, since the difference in resistance cannot be considered significant. In addition, information received from the sampled Community producers shows that there is production of fabrics made of ring-spun yarn in the Community. This has been confirmed by the spinners participating in the Community interest investigation, 50 % of which spin ring-spun yarn. The exclusion of fabrics made of ring-spun yarn from the scope of the proceeding cannot, therefore, at this stage, be accepted.

(b) *Handloom cotton fabrics*

(19) Handloom fabrics are those woven on looms operated purely by hand or foot. Although the use of different production methods is not in itself relevant to the definition of a product, handloom fabrics have physical characteristics different from those of other unbleached cotton fabrics, notably as a result of a less regular and looser weave, as well as a limited width (generally less than 1 metre). This difference leads to a different consumer perception of handloom fabrics reinforced by the fact that such products are often sold through particular sales channels, different from those of Community producers and exporters for their other fabrics.

(20) Consequently the Commission has provisionally concluded that handloom fabrics should be excluded from the scope of the proceeding and, therefore, those products should be exempted from the payment of the duties if accompanied by a certificate of handloom origin issued by the appropriate authorities of the exporting country.

(c) *Jacquard and stretch cotton fabrics*

(21) Some parties claimed that jacquard and stretch fabrics should be considered a different product. The two particular constructions ('jacquard' and 'stretch') were analysed and found to contain at least 85 % cotton. They were therefore considered to be covered by the proceeding.

(d) *Unbleached cotton fabrics used for embroidery*

(22) Furthermore, it was claimed that unbleached cotton fabrics used for the purpose of embroidery should be excluded from the scope of the proceeding, because of their specific characteristics and their particular use. The Commission has provisionally found that most embroiderers use fabrics which weigh less than 100g/m^2, fall under a specific CN code and are similar to gauze. Gauze is not covered by the complaint on the basis of which the current proceeding has been initiated. It should be noted that gauze is used for medical purposes only, whereas unbleached cotton fabrics weighing less than 100g/m^2 can also be used for purposes other than embroidery. Given this apparent interchangeability of use, it is provisionally considered that the essential physical characteristics of unbleached cotton fabrics used for embroidery cannot be considered so different from cloth used for other purposes as to justify exclusion from the scope of the proceeding. This issue will be further investigated.

(e) *Unbleached cotton fabrics weighing under 100 g/m²*

(23) It was claimed that fabrics weighing under 100 g/m² should be excluded from the scope of the proceeding, since they are similar to gauze. The Commission has provisionally concluded that, since the essential physical characteristics and general use remain the same, as compared with unbleached cotton fabrics weighing more than 100 g/m², it does not seem possible to exclude this product from the scope of the proceeding. This issue will be further investigated.

(f) *Other requests for exclusion*

(24) Other requests for exclusion from the scope of this proceeding were either insufficiently substantiated or are covered by the definition of the product under consideration, in view of their essential physical characteristics, general use and consumer perception.

2. Like product

(25) The Commission found that the unbleached cotton fabrics produced by the Community industry and sold on the Community market were similar or comparable to the unbleached cotton fabrics produced in the countries concerned and exported to the Community and those sold on their domestic markets ([1]).

(26) Some parties claimed that the unbleached cotton fabrics manufactured and sold by the Community industry are not comparable to those produced and exported to the Community by the exporting countries concerned. Imports from the countries concerned allegedly consist of basic commodity constructions, of a low quality, whereas those manufactured in the Community are allegedly specialised and sophisticated products.

(27) In this respect, it should be recalled that is the standard practice of the Commission to consider that differences in the quality of a product, where the basic characteristics are similar, are not normally an element that determines the existence or not of a like product.

(28) Moreover, the constructions manufactured and/or offered by the Community industry seem to correspond largely to the ones imported from the countries concerned. For this reason it does not, at the present stage, seem possible to conclude that the Community manufactured products are substantially different from the products imported from the countries concerned. However, the matter will be further investigated.

(29) Accordingly, the Commission has concluded that unbleached cotton fabrics exported from the People's Republic of China, India, Indonesia, Egypt, Pakistan and Turkey are like products to the unbleached cotton fabrics manufactured in the Community by Community producers, within the meaning of Article 1(4) of the Basic Regulation.

C. DUMPING

1. Exporters and producers in the countries of origin

(a) *Sampling*

(30) In view of the large number of exporters in the countries concerned, the Commission decided to apply sampling techniques in accordance with Article 17 of the Basic Regulation.

(31) In order to enable the Commission to select a sample, exporters and representatives acting on their behalf were requested to make themselves known within three weeks of the initiation and to provide some basic information on their domestic and export turnover for the period of investigation. The authorities of the countries concerned were contacted by the Commission.

(b) *Cooperating companies*

(32) For each country, the list of the cooperating companies not selected in the sample is given in Annex I.

(33) The companies listed in Annex I were informed that the average dumping margin and anti-dumping duty, if any, of the sample for each country, weighted on the basis of the export turnover to the Community, would be attributed to them, except for China and Egypt, where a single margin was calculated for all exporters.

(c) *Selection of the sample*

(34) For the People's Republic of China, Egypt, Indonesia, Turkey and Pakistan, the choice of the sample was made in agreement with the representatives of the companies, associations and/or governments concerned.

(35) Indonesian exporters did not want a reserve company (a company which replaces a selected company when the latter subsequently fails to co-operate sufficiently with the Commission) and were informed that this did not constitute a problem as long as the companies in the main sample did cooperate sufficiently.

([1]) The People's Republic of China is excepted.

(36) No agreement could be reached with Indian exporters which refused to agree to the inclusion of their largest exporter in the sample. The Commission, consequently, accepted the selected exporters proposed by Indian exporters but included their largest exporter in the definitive sample.

(37) The companies selected in the sample which fully cooperated with the investigation received their own dumping margin and individual duty rate. When two related companies are part of the sample, a common dumping margin, resulting from a weighted average of their individual dumping margins, is applied. When only one of several related companies is selected, the dumping margin of this company is applied to the cooperating related companies.

(38) The Commission selected reserve companies for Egypt, India and Pakistan. The companies which were included in the sample only as reserves were informed that, although they would have to reply to the Commission's questionnaire, their reply would not be examined unless the non-cooperation of one or more companies selected in the sample would make it no longer representative. They were also informed that they would receive the average dumping margin and average anti-dumping duty rate, if any, of the sample for each country unless they were selected to replace a company in the sample, in which case they would have their own duty rate.

(39) Concerning Indonesia, one company, PT Tyfountex, which had been selected to form the reserve sample, refused to be included in the reserve sample and was subsequently informed that it would be considered as a non-cooperating party.

(40) The Commission sent questionnaires to the following companies finally selected in the sample:

Country	Companies in the sample
People's Republic of China	— Chinatex Cotton Yarns & Fabrics Import & Export Corporation — Shanghai Textiles Import & Export Corporation — China Jiangsu Textiles Import & Export (Group) Corporation
Egypt	— Misr Spinning and Weaving Co., Mehalla el-Kubra — Misr Fine Spinning and Weaving Co., Kafr el-Dawar — Misr el-Amria Spinning & Weaving Co.
India	— Century Textiles & Industries Ltd — Mafatlal Industries Ltd — Coats Viyella India Ltd — Vardhman Spinning & General Mills Ltd — Virudhunagar Textile Mills Ltd
Indonesia	— PT Argo Pantes — PT Daya Manunggal — PT Apac Inti Corpora — PT Eratex Djaja
Pakistan	— Lucky Textile Mills — Diamond Fabrics Ltd — Nishat Mills Ltd — Kohinoor Raiwind Mills Ltd — Kohinoor Weaving Mills Ltd
Turkey	— Birlik Mensucat — Söktas Pamuk Ve Tarim Ürünlerini Degerlendirme Ticaret Ve Sanayii AS — Tureks — Alfa — Teksmobili

(d) *Individual examination within the context of sampling*

(41) The Commission's services received nine requests for individual examination within the dealines, five of which were accompanied by a reply to the questionnaire, as required by Article 17(3) of the Basic Regulation.

(42) After reviewing the requests and having regard to Article 17(3) of the Basic Regulation, the Commission came to the conclusion that it was not in a position to grant individual examination in the present proceeding. This decision was motivated by the fact that the increased workload resulting from the individual examination requests would not allow the Commission to complete its investigation within the statutory time limit now set by the Basic Regulation. The companies concerned were informed accordingly and were invited to provide their comments.

(43) Companies which filed a complete reply to the questionnaire within 37 days from initiaton, or came forward within the three weeks set for the selection of the sample, but whose request for indi-

vidual examination was rejected, were considered to be cooperating and were attributed the average dumping margin and anti-dumping duty rate established for the sample.

2. **Methodology**

(a) *Companies forming part of the same group*

(44) It has been the consistent practice of the Commission to consider related companies, or companies belonging to the same group, as one single entity, and to establish, therefore, one single dumping margin. Calculating individual dumping margins might encourage circumvention of anti-dumping measures (thus rendering them ineffective) by enabling related producers to channel their exports to the Community through the company with the lowest dumping margin. The dumping margin found for a sampled company forming part of a group was therefore applied to the non-sampled companies of the same group involved in the production and sale of the product concerned.

(45) Also in accordance with this principle, two sampled companies located in Indonesia belonging to the same group were regarded as one single entity. Two sampled related companies located in Pakistan were regarded as one single entity as well.

(b) *Normal value*

(i) Representativeness

(46) The Commission first examined whether the domestic sales of grey cotton fabrics by each company were representative. This was the case when the total volume of such sales was greater than or equal to 5 % of the total volume of export sales to the Community.

(ii) Type comparability

(47) Due to the great number of types of the product in question, grey cotton fabrics produced in the countries concerned were classified by a 'product control number' according to their construction. Each product control number gave information about the count (or weight) of the yarn and the number of threads, for both warp and weft. It also gave information about the construction of the fabric. Finally, it showed whether the type was exported or sold domestically, as well as the intended use of the product (dyeing, pocketing, printing) according to its quality.

(48) Since there were no differences in the basic characteristics of the different types and qualities of grey cotton fabrics, the Commission found that domestic and export types were like products within the meaning of Article 1(4) of the Basic Regulation and could be compared wherever their control number was the same. Following this reasoning, comparisons could be made between types sold on the domestic market in India and types exported by Chinese companies.

(49) The Commission therefore, found that domestic and export types which had the same product control number were comparable products.

(iii) Type specific representativeness

(50) Domestic sales of a particular type were considered sufficiently representative when the volume of grey cotton fabrics of that type sold on the domestic market during the investigation period represented 5 % or more of the volume of grey cotton fabrics of the comparable type sold for export to the Community.

(iv) Ordinary course of trade test

(51) The Commission subsequently examined whether the domestic sales of each type could be regarded as being made in the ordinary course of trade, by looking at the proportion of profitable sales of the type in question:

— in cases where the volume of grey cotton fabrics sold at a net sales price equal to or above the calculated cost of production represented more than 80 % of the total sales volume, the normal value for this type was established as a weighted average price of all domestic sales transactions during the investigation period, whether profitable or not,

— in cases where the volume of grey cotton fabrics sold at a net sales price equal to or above the calculated cost of production represented less than 80 % but more than 10 % of the total sales volume, the normal value for this type was established on the basis of a weighted average price of profitable domestic sales transactions only,

— in cases where the volume of grey cotton fabrics sold at a net sales price equal to or above the calculated cost of production represented less than 10 % of the total sales volume, it was considered that the type was not sold in the ordinary course of trade and that the domestic price did not provide an appropriate basis for establishing normal value.

(v) Normal value based on actual domestic price

(52) When the requirements set out above were met, normal value was based for each type on the basis of the prices paid or payable, in the ordinary course of trade, by independant customers in the domestic market of the exporting country as set out in Article 2(1) of the Basic Regulation.

(vi) Normal value based on constructed value

(53) In cases where domestic prices did not provide an appropriate basis for establishing normal value, the latter was based on constructed value.

(54) Due to the number of different types and the great variety of factors to be considered when assessing one particular type produced by one particular company (for example origin, mix of raw cotton and type of loom used), constructed normal value was consistently chosen in preference to the domestic prices of another producer.

(55) The constructed value was determined by adding to the manufacturing costs of the exported types, duly adjusted when the actual costs differed from those reported, a reasonsable percentage for selling, general and administrative (SG & A) expenses and a reasonable margin for profit.

(56) For this purpose, the Commission services examined whether the SG & A expenses incurred and the profit realised by each of the producers concerned on the domestic market could be used within the terms of the Basic Regulation:

— actual domestic SG & A expenses incurred by the domestic sales of the like product were used when the domestic sales volume of the company concerned could be regarded as representative. Where this criterion was not met, the weighted average of SG & A expenses was used,

— the actual domestic profit margin realised on domestic sales of the like product was used when the volume of grey cotton fabrics sold at a net sales price above the calculated cost of production represented more than 10 % of the total domestic sales volume of the company concerned. Whereas this criterion was not met, use was made of the profit margins weighted average of the other companies which fulfilled that criterion.

(c) *Export price*

(57) In all cases where exports of grey cotton fabrics were made to independent customers in the Community, the export price was established in accordance with Article 2(8) of the Basic Regulation, that is on the basis of export prices actually paid or payable.

(58) However, in cases where there was no actual export price or when it was considered to be unreliable because the sale was made to a related party, an export price was constructed pursuant to Article 2(9) of the Basic Regulation, that is on the basis of the price at which the imported products were first resold to an independent buyer.

(59) In such cases, adjustments were made for all costs incurred between importation and resale and for profits accruing, in order to establish a reliable export price at the Community frontier level.

(d) *Comparison*

(60) For the purpose of ensuring a fair comparison between the normal value and the export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordance with Article 2(10) of the Basic Regulation.

(61) Accordingly, allowances for differences in transport, insurance, handling charges, packing costs, credit, discounts and warranty have been granted where applicable and justified.

(e) *Dumping margin*

(i) Dumping margin for companies investigated

(62) According to Article 2(11) of the Basic Regulation, the weighted average normal value by type, determined as set out in section 2(b), was compared with the weighted average export price, determined as set out in section 2(c). Whenever it was established that there was a pattern of export prices which differed significantly among different purchasers, regions or time periods and that the abovementioned method did not reflect the full degree of dumping, the weighted average normal value was compared with the prices of all individual transactions to the Community.

(ii) Dumping margin for cooperating companies not in the sample

(63) Cooperating companies which were not inlcuded in the sample received the average dumping margin of the companies in the sample, weighted on the basis of export turnover to the Community.

(iii) Dumping margin for non-cooperating companies

(64) The level of cooperation ranged from 87 % to 100 % for all the countries concerned, except for Turkey. For those countries with a very high level of cooperation, it was decided to give to non-cooperating companies the margin of the company with the highest dumping margin in the sample. In cases of a single duty for all companies in the sample (China and Egypt), this duty was applied to the non-cooperating companies.

(65) For non-cooperating companies in Turkey, where the level of cooperation did not reach 50 %, a residual dumping margin was determined on the basis of the facts available. Of the company with the highest dumping margin, the type with the highest dumping margin which had representative export sales was identified. The residual dumping margin was determined on the basis of the weighted average margin of this type, expressed as a percentage of the cif import price at the Community border.

3. **Indonesia**

(a) *Level of cooperation*

(66) Four companies were selected as the sample. Two of the four companies were related and formed part of the same group.

(67) As a result of the on-the-spot verifications it was found that three of the four companies were either providing misleading information or showed partial non-cooperation which necessitated the application of Article 18 of the Basic Regulation.

(68) The application of Article 18 resulted in the use of the facts available to the Commission for domestic prices, manufacturing costs, export prices and differences in physcial characteristics (different grades) which affected prices and price comparability.

(69) The remaining company submitted two substantial modifications to its questionnaire response before the on-the-spot verification. However, during the on-the-spot verification it was found that the final rely to the questionnaire was substantially incorrect which made it impossible to perform a dumping calculation. Since this company was part of a group of companies, the dumping margin was established on the basis of another sampled company belonging to the same group of companies (see section 2(a)).

(b) *Impact of Article 18 of the Basic Regulation on the sample*

(70) It should be noted that in accordance with Article 17 of the Basic Regulation, sampling was used because of the large number of companies involved in this investigation. The choice of the sample was made in agreement with the representatives of the companies and the association concerned and included the four companies mentioned above.

(71) One company, PT Tyfountex, had been selected as the reserve sample. However, the company refused to be included in the reserve sample and was subsequently informed that it would be considered as a non-cooperating party. Faced with the fact that the Indonesian representatives did not want a reserve sample, the Commission proceeded with the selected sample without having a reserve company. At the same time it was made clear that if full cooperation was not forthcoming from the companies in the sample, at any stage of the proceeding, there would be no possibility to replace the non-cooperating companies in that sample by a reserve company and this could have far reaching implications for all Indonesian companies.

(72) Article 17(4) of the Basic Regulation states that where there is a degree of non-cooperation by all of the parties selected which is likely materially to affect the outcome of the investigation, a new sample may be selected. However, if there is insufficient time to select a new sample, the relevant provisions of Article 18 shall apply.

(73) In view of the fact that it was not possible to select a new sample and conclude the investigation within the time limits and the refusal of any Indonesian company to serve as a reserve sample, the dumping margins for the companies selected in the sample were established on the basis of the facts available. However, in order not to penalise unduly the other producers to which the result of the sampling should apply, it was provisionally decided to use the duty rate mentioned in the complaint (13,5 %, which is the dumping margin found by the Commission in the previous proceeding) as information available for the cooperating companies not included in the sample. In view of the particular situation of the sample selected for provisional measures, the selection of a new sample for definitive measures, if any, is being examined by the Commission.

(c) *Normal value*

(74) The procedures and methodologies followed by the Commission to assess the normal value of products originating in Indonesia were the same as those set out in section 2(b), except where, in accordance with Article 18, information available was used for certain elements of the normal value.

(i) Normal value based on actual domestic price

(75) On the basis of the method referred to in section 2(b), it was not possible to estabish normal value on the basis of the domestic price of comparable types in accordance with Article 2(2) of the Basic Regulation.

(ii) Normal value based on constructed value

(76) For all types of the product concerned sold for export to the Community by the three companies for which a dumping calculation was made, normal value was calculated, in accordance with Article 2(3) of the Basic Regulation, on the basis of constructed value.

(77) This was done by adding the companies' own domestic SG & A expenses and domestic profit margin to the manufacturing cost of the exported types, in accordance with Article 2(6) of the Basic Regulation.

(d) *Export price*

(78) The procedures and methodologies followed by the Commission in assessing the export of products originating in Indonesia were the same as those set out in section 2(c).

(79) Exports by all the companies in the sample were made to independent importers in the Community. The export prices were established, in accordance with Article 2(8) of the Basic Regulation, by reference to the prices paid or payable for the product concerned sold for export to the Community.

(e) *Comparison*

(80) For the purpose of ensuring a fair comparison between normal value and export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordance with Article 2(10) of the Basic Regulation.

(81) Accordingly, allowances for differences in transport, handling charges, credit costs, packing and commissions have been granted where applicable and justified.

(i) Allowance for credit costs

(82) An adjustment to normal value was claimed by the three Indonesian exporters/producers in respect of credit costs. However, the investigation revealed that the amounts of credit costs were inflated by applying an artificially high interest rate. An adjustment was therefore only granted on the basis of an interest rate for short-term loans found in the audited accounts of the companies concerned.

(f) *Dumping margin*

(83) The procedures and methodologies followed by the Commission in assessing the dumping margin of products originating in Indonesia were the same as those set out in section 2(e), except for the cooperating companies not part of the sample.

(i) Dumping margin for companies investigated

(84) The comparison shows the existence of dumping in respect of all the companies in the sample. The dumping margins expressed as a percentage of the free-at-Community-frontier price CIF level are the following:

— Group Argo Pantes (PT Argo Pantes and PT Daya Manunggal) 31,8 %,

— PT Eratex Djaja Ltd 29,7 %,

— PT Apac Inti Corpora 19 %.

(ii) Dumping margin for cooperating companies not in the sample

(85) For cooperating companies not in the sample (see section 2(b)), it was provisionally decided, in accordance with Article 17(4) and Article 18 of the Basic Regulation, to use the information available, which in this case is the dumping margin mentioned in the complaint. Expressed as a percentage of the free-at-Community-frontier price CIF level, the margin is 13,5 %.

(iii) Dumping margin for non-cooperating companies

(86) For non-cooperating companies, the dumping margin was assessed on the basis of the margin of the company with the highest dumping margin in the sample. Expressed as a percentage of the free-at-Community-frontier price CIF level, the margin is 31,8 %.

4. **Turkey**

(a) *Level of cooperation*

(87) Five companies provided a reply to the questionnaire for producers/exporters and were investigated.

(88) The investigation revealed that one of those five companies was not a producer but a trader which was buying the product from an independent producer included in the sample in order to export it to the Community. It is the consistent policy of the Commission to calculate anti-dumping margins only for producers. The purchases of this trader were therefore used to establish the anti-dumping margin of the producer concerned.

(89) One of the selected companies did not fully cooperate in the proceeding. It was found that neither the reported costs of manufacturing nor the reported exported quantities were reliable.

(90) Since that company supplied misleading and unreliable information, it was decided to regard the company as a non-cooperating party.

(91) In view of the poor level of representativeness of the selected cooperating companies, the selection of a new sample for definitive measures, if any, is being examined by the Commission.

(b) *Normal value*

(92) The procedures and methodologies followed by the Commission in assessing the normal value of products orginating in Turkey were the same as those set out in section 2(b). Due to high inflation, however, a monthly normal value for each type was calculated for Turkey.

(i) Normal value based on actual domestic price

(93) After assessing the representatives of domestic sales, type comparability and type-specific representativeness, and after performing the ordinary-course-of-trade test, as set out in section 2(b), the Commission calculated monthly normal values on the basis of actual domestic prices (on average for the cooperating companies: one type for the first company, two types for the second company and none for the third company) in accordance with Article 2(2) of the Basic Regulation.

(ii) Normal value based on constructed value

(94) In all other cases, normal value had to be calculated, in accordance with Article 2(3) of the Basic Regulation, on the basis of a constructed value for the products exported to the Community. The constructed normal value was established, as set out in section 2(b), for each month of the period of investigation. Monthly SG & A expenses and a monthly domestic profit margin of two of the three companies were added to the manufacturing costs of the exported types concerned. For the third company, which had no representative domestic sales, in accordance with Article 2(6), normal value was constructed by adding to the manufacturing costs of its exported types the weighted average of the domestic SG & A costs and the domestic profit margin determined for the two companies with representative and profitable domestic sales.

(c) *Export price*

(95) The procedures and methodologies followed by the Commission in assessing the export price of products originating in Turkey were the same as those set out in section 2(c).

(96) All sales of grey cotton fabrics made by Turkish companies on the Community market were made to independent customers in the Community. Consequently the export price for the companies was established by reference to the prices actually paid or payable.

(d) *Comparison*

(97) For the purpose of ensuring a fair comparison between the normal value and the export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordance with Article 2(10) of the Basic Regulation.

(98) Accordingly, allowances for differences in transport, packing costs, charges, credit costs and commissions have been granted where applicable and justified.

(i) Allowance for credit costs

(99) An adjustment to normal value was claimed by one Turkish exporter/producer in respect of credit costs linked to payment terms. However, it was found that, although payment terms are indeed stated on the invoice, domestic sales are made on the basis of an open account system. Since no evidence was provided that the payment terms were linked to prices, it was decided not to grant any allowance for credit costs.

(ii) Allowance for currency conversion

(100) One of the companies requested that an allowance be made to account for currency conversion (Article 2(10)(j) of the Basic Regulation) in view of the high inflation rate in Turkey and the corresponding steady currency depreciation.

(101) However, it is considered that the depreciation has already been accounted for by making adjustments by calculating normal value on a monthly basis and using monthly average exchange rates. The claim was therefore rejected.

(e) *Dumping margin*

(102) The procedures and methodologies followed by the Commission in assessing the dumping margin of products originating in Turkey were the same as those set out in section 2(e).

(i) Dumping margin for companies investigated which cooperated

(103) The comparison shows the existence of dumping in respect of two of the companies in the sample. The dumping margins expressed as a percentage of the free-at-Community-frontier price CIF level are the following:

— Birlik Mensucat 11 %,

— Tureks 10,4 %,

— Teksmobili 1,6 %.

(ii) Dumping margin for cooperating companies not in the sample

(104) Cooperating companies (see sections 1(b) and 1(d)) receive the average dumping margin of the sample. Since the dumping margin found for Teksmobili was below 2 %, its dumping margin was not taken into consideration for establishing the average dumping margin of the sample. Expressed as a percentage of the free-at-Communty-frontier price CIF level, the margin is 11 %.

(iii) Dumping margin for non-cooperating companies

(105) In view of the low level of cooperation of Turkey, the dumping margin of all the other non-cooperating companies was assessed on the basis of the best information available (see section 2(e)).

(106) Expressed as a percentage of the free-at-Community-frontier price CIF level, the margin is 14,29 %.

5. **Egypt**

(107) Three companies were investigated in Egypt. Due to the fact that the three investigated companies were directly or indirectly State-owned and managed by the Government, it was decided to treat those companies as a group. Therefore, no individual dumping margins and duty rates were attributed. A distinction was only made between cooperating and non-cooperating exporters.

(a) *Normal value*

(108) The procedures and methodologies followed by the Commission in assessing normal value were the same as those set out in section 2(b).

(i) Normal value based on actual domestic price

(109) After assessing representativeness of domestic sales, type comparability and type specific representativeness, and after performing the ordinary-course-of-trade test, as set out in section 2(b), the Commission concluded that, in the case of one company, normal value for seven types could be based on actual domestic price, in accordance with Article 2(2) of the Basic Regulation.

(ii) Normal value based on constructed value

(110) For all other types sold for export to the Community by the one company mentioned in section 5(a), and all types sold for export to the Community by the other two companies, the normal value had to be calculated, in accordance with Article 2(3) of the Basic Regulation, on the basis of a constructed value for the products exported to the Community. The constructed normal value per type was established as set out in section 2(b).

(111) Since only one company had sufficient profitable sales of the product concerned during the investigation period, it was decided to use the profit margin of that company and to apply it to the other two companies in order to construct normal value. Therefore, for the first company the constructed normal value was based on manufacturing costs plus its own SG & A costs and profit margin. For the other two companies, their own manufacturing and SG & A costs and the profit margin of the company with sufficient profitable domestic sales were used to construct normal value.

(b) *Export price*

(112) The procedure and methodologies followed by the Commission in assessing the export price of products originating in Egypt were the same as those set out in section 2(c).

(113) All exports of grey cotton fabrics to the Community by the three companies were made directly to independent customers. Consequently, the export price of those companies was established by

reference to the prices actually paid or payable to them for the grey cotton fabrics sold, in accordance with Article 2(8) of the Basic Regulation.

(c) *Comparison*

(114) For the purpose of ensuring a fair comparison between the normal value and the export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordance with Article 2(10) of the Basic Regulation.

(115) Where applicable and justified, adjustments were made for differences in transport and insurance, packing costs, credit costs and commissions.

(i) Allowance for credit cost

(116) All three companies claimed an adjustment for credit costs in respect of normal value. For two companies this claim had to be rejected because it appeared that the payment terms on the domestic market were in fact based on the open account system, that is to say no evidence was provided that the payment terms were linked to prices.

(d) *Dumping margin*

(i) Method

(117) For the reasons set out in section 2, it was decided to calculate only one dumping margin for all cooperating companies. The procedures for assessing the dumping margin were the same as those set out in section 2(e).

(118) Individual dumping margins were calculated for the three companies investigated and the average, weighted on the basis of export turnover to the Community, applied to all cooperating companies.

(ii) Dumping margin for all cooperating companies whether or not in the sample

(119) The dumping margin for cooperating exporters expressed as a percentage of the free-at-Community-frontier price CIF level is 20,6 %

(iii) Dumping margin for the non-cooperating companies

(120) In view of the high level of cooperation of Egypt, the dumping margin for non-cooperating companies was set at the level of the margin of the company with the highest dumping margin in the sample (see section 2(c)). Expressed as a percentage of the free-at-Community-frontier price CIF level, the margin is the following: 20,6 %.

6. **Pakistan**

(a) *Level of cooperation*

(121) Five companies were selected in the sample for Pakistan, as set out in section 1(c) and were investigated. Individual dumping margins were calculated for two non-related companies whereas a weighted average dumping margin was established for two other related companies. The remaining company was regarded as a non-cooperating company and the same margin was applied to it as to the cooperating company with the highest margin (see below).

(122) The three non-related companies and the two related companies selected were part of different groups of companies. In each of these groups there were companies involved, in a varying degree, in the production and sale of the product concerned. For the purpose of provisional determinations, the above-mentioned margins will apply also to the other companies which form part of the same group (see section 2(a)).

(123) Article 18 of the Basic Regulation was applied to one company which had provided misleading information. The dumping margin of that company was consequently not taken into account in determining the average dumping margin for the cooperating companies (see section 2(e)). However, it was found that this had no excessive effect on the representativeness of the sample since the company taken out acounted for less than one third of the exports of the initial sampled companies.

(b) *Normal value*

(124) The procedures and methodologies followed by the Commission in assessing the normal value of products originating in Pakistan were the same as those set out in section 2(b).

(i) Normal value based on actual domestic price

(125) After assesing the overall representativeness of domestic sales, type comparability and type-specific representativeness, and after performing the ordinary-course-of-trade test, as explained in point 2(b), the Commission found that three companies in the sample had representative domestic sales of the product concerned during the investigation period.

(126) The representative domestic sales of the three companies were found to be in the ordinary course of trade. However, for one company, there was only one type sold domestically which was comparable to the exported types whereas for another company, two types sold domestically were comparable to the exported types. The third company had no comparable type. In those circumstances, the Commission concluded that normal value for Pakistan should be constructed in all cases except for one type for one company and two types for another company, which are based on the prices paid in the ordinary course of trade by independent customers in the exporting country.

(ii) Normal value based on constructed value

(127) For all but three types of the product concerned sold for export to the Community by the four cooperating companies selected, normal value was calculated, in accordance with Article 2(3) of the Basic Regulation, on the basis of constructed value.

(128) In the case of the three companies with domestic sales, this was done by adding the companies' own domestic SG & A expenses and domestic profit margin to the manufacturing cost of the exported types, in accordance with Article 2(6) of the Basic Regulation.

(129) The other cooperating company in the sample did not have domestic sales. In accordance with Article 2(6), normal value for these companies was constructed by adding to the manufacturing costs of their exported types the weighted average of the domestic SG & A costs and the domestic profit margin determined for the three companies with representative and profitable domestic sales.

(c) *Export price*

(130) The procedures and methodologies followed by the Commission's services to assess the export price of products originating in Pakistan were the same as those set out in section 2(c).

(131) Exports by all the cooperating companies in the sample were made directly to independent importers in the Community. The export prices were established, in accordance with Article 2(8) of the Basic Regulation, by reference to the prices paid or payable for the product concerned sold for export to the Community.

(d) *Comparison*

(132) For the purpose of ensuring a fair comparison between normal value and export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordane with Article 2(10) of the Basic Regulation.

(133) Accordingly, allowances for differences in transport, handling charges, credit cost and commissions have been granted where applicable and justified.

(i) Allowance for import charges

(134) An adjustment to normal value was claimed by all Pakistani exporters/producers in respect of import charges and duties borne by materials, physically incorporated in the like product when intended for consumption, and refunded on export of the product under considration pursuant to Pakistani legislation. However, the investigation revealed that the amounts of import charges and duties refunded exceeded the amounts actually included in the cost of raw materials utilised. Therefore, in accordance with Article 2(10)(b) of the Basic Regulation, the adjustment was restricted to the amounts actually included in the cost of the raw materials.

(e) *Dumping margin*

(135) The procedures and methodologies followed by the Commission in assessing the dumping margin of products originating in Pakistan were the same as those set out in section 2(e).

(i) Dumping margin for cooperating companies investigated

(136) The comparison shows the existence of dumping in respect of all the companies in the sample. The dumping margins expressed as a percentage of the free-at-Community-frontier price CIF level are the following:

— Sapphire Group (Diamond Fabrics Ltd, Amer Fabrics Ltd) 15,6 %,

— Nishat Group (Nishat Mills Ltd, Nishat Fabrics Ltd) 32,5 %,

— Kohinoor Group (Kohinoor Raiwind Mills Ltd, Kohinoor Weaving Mills Ltd) 11,7 %.

(ii) Dumping margin for cooperating companies not in the sample

(137) Cooperating companies (see sections 1(b) and 1(d)) receive the average dumping margin of the sample. Expressed as a percentage of the free-at-Community frontier price CIF level, the margin is 19,2 %.

(iii) Dumping margin for non-cooperating companies

(138) In view of the high level of cooperation of Pakistan, the dumping margin for non-cooperating companies was set at the level of the margin of the company with the highest dumping margin in the sample (see section 2(c)). Expressed as a percentage of the free-at-Community frontier price CIF level, the margin is 32,5 %.

7. **India**

(139) All five companies selected in the sample for India replied to the questionnaire for producers/exporters. The information provided by those companies was verified. Individual dumping margins were calculated for the five companies selected in the sample.

(a) *Normal value*

(140) The procedures and methodologies followed by the Commission's services to assess the normal value of products originating in India were the same as those set out in section 2(b).

(i) Normal value based on actual domestic price

(141) After assessing representativeness of domestic sales, type comparability and type specific representativeness and after performing the ordinary course of trade test, as set out in section 2(b), the Commission's services concluded that normal value for 23 types of unbleached cotton fabrics sold for export to the Community by the five companies could be based on the actual domestic price of comparable types, in accordance with Article 2(2) of the Basic Regulation.

(ii) Normal value based on constructed value

(142) For all other types sold for export to the Community by the companies, the normal value had to be calculated on the basis of a constructed value for the products exported to the Community, in accordance with Article 2(3) of the Basic Regulation. The constructed value was determined according to the method described in section 2(b).

For three companies having sufficient profitable sales, the constructed normal value was based on their own manufacturing costs plus their own SG & A and their profit margin. For the remaining two companies having insufficient profitable domestic sales, their own manufacturing costs and SG & A expenses plus the weighted average profit margin of the companies with sufficient profitable domestic sales were used to construct normal value. Where necessary, the SG & A expenses as reported were corrected.

(b) *Export price*

(143) The procedures and methodologies followed by the Commission's services in assessing the export price of products originating in India were the same as those set out in section 2(c).

(144) All five companies in the sample had export sales made directly to independent importers in the Community or had sales to independent parties in India destined for export to the Community. Consequently, the export price of those transactions was established by reference to the prices actually paid or payable by independent importers to the Indian producers for the grey cotton fabrics sold.

(145) One Indian company also sold part of its production to the Community through three related trading companies. The export prices for the products sold via the related companies were reconstructed by reference to the prices actually paid or payable to them by the first independent customer, less a reasonable profit margin and SG & A costs attributed to those companies, in accordance with Article 2(9) of the Basic Regulation. The profit margin was provisionally estimated at 5 % in the absence of any information being made available by independent importers in the Community.

(c) *Comparison*

(146) For the purpose of ensuring a fair comparison between normal value and export price, due allowance in the form of adjustments was made for differences which were claimed and demonstrated to affect price comparability in accordance with Article 2(10) of the Basic Regulation.

(147) Accordingly, allowances for import charges and indirect taxes, for discounts and rebates, for transport, insurance, handling and ancillary costs, for packing, for credit, for commissions and for the purchase cost of export licences were made.

(i) Allowance for level of trade

(148) All companies claimed an adjustment for an alleged difference in the level of trade of their exports and domestic sales. The claims were made on the ground that they sold mainly to distributors on the Community market, and mainly to end-users on their domestic market, and that the volume of the average transaction on the domestic market was smaller than to the Community. One company claimed also that all deductions made for SG & A expenses incurred by its related importers deducted from the export price to the first unrelated buyer when constructing the export price should be automatically granted as an allowance for level of trade on normal value. However, none of the companies was able to demonstrate a consistent difference in price levels according to the alleged different levels of trade. In view of the above, no adjustment was granted for level of trade.

(ii) Allowance for import charges

(149) All Indian companies claimed an adjustment for indirect taxes borne by the like product and by materials physically incorporated therein, when intended for consumption in India and refunded in respect of the products exported to the Community. As those claims were based on the amounts refunded on the export sales rather than on the amounts borne by the product when intended for consumption in India, the adjustments claimed were reduced accordingly.

(iii) Allowance for currency conversion

(150) All Indian companies claimed that the Commission should depart from its normal practice and use the exchange rates of forward foreign currency sales rather than the exchange rates on the date of invoice. As no direct link between the sales of foreign currencies and the export sales involved existed, the Commission used the exchange rates on the date of invoice.

(iv) Allowance for other factors affecting price comparability

(151) On the basis of Article 2(10)(k), three Indian companies claimed an adjustment for advertisement and publicity and two companies claimed an adjustment for salesmen's salaries. Since none of the companies was able to show that those factors affect price comparability, those claims were rejected.

(d) *Dumping margin*

(i) Method

(152) The procedures and methodologies followed by the Commission's services in assessing the dumping margin of products originating in India were the same as those set out in section 2(e).

(153) For two Indian companies, the calculations were based on a comparison of weighted average normal values with weighted average export prices. For the other companies, the weighted average normal value was compared with the prices of each individual transaction to the Community.

(ii) Dumping margin for companies investigated

(154) The comparison shows the existence of dumping in respect of all the companies in the sample. The dumping margins expressed as a percentage of the import free-at Community frontier price CIF level are the following:

— Century Textiles and Industries Ltd 15,0 %

— Coats Viyella India Ltd 14,7 %

— Mafatlal Industries Ltd 16,9 %

— Vardhman Spinning & General Mills Ltd 4,9 %

— Virudhunagar Textile Mills Ltd and its related company Thiagarajar Mills Ltd 5,9 %.

(iii) Dumping margin for cooperating companies not in the sample

(155) Cooperating companies (see sections 1(b) and 1(d)) receive the weighted average dumping margin of the sample. Expressed as a percentage of free-at-Community-frontier price CIF level, the margin is 13,2 %.

(iv) Dumping margin for non-cooperating companies

(156) In view of the high level of cooperation of India, the dumping margin for non-cooperating companies was set at the level of the margin of the company with the highest dumping margin in the sample (see section 2(e)). Expressed as a percentage of the free-at-Community-frontier price CIF level, the margin is 16,9 %.

8. **People's Republic of China**

(157) Since China is not a market-economy country, it was necessary to compare the export prices of the Chinese exporters with the domestic prices or costs of production of a third market-economy country. India was proposed by the complainant. Since it is the largest exporter with the highest number of producers, and since no substantiated evidence in favour of another analogue country was put forward by the interested parties, India was chosen by the Commission as an appropriate market-economy third country for the purpose of establishing normal value, in accordance with Article 2(7) of the Basic Regulation.

(158) Three exporters were selected in the sample for China and were sent a questionnaire. They were State-owned organisations.

(a) *Individual treatment*

(159) All three sampled exporters requested that individual dumping margins be established in their regard, claiming that they enjoyed full autonomy and were responsible for their profits and losses.

(160) Following established practice with respect to exports from a State trading country, individual treatment can be applied solely in cases where the exporter concerned has provided evidence that it operates outside the influence of the national authorities and according to market economy conditions. In the present proceeding no evidence to this effect was submitted. In those circumstances, it was decided that individual dumping margins were not appropriate and that a single dumping margin had to be established on the basis of the weighted average (according to export turnover to the Community) of the dumping margins of the sample.

(b) *Normal value*

(161) Normal value for the Chinese exporters was calculated on the basis of the normal values established for the co-operating Indian companies (see section 7(a)). In this context, the Indian types used were those sold on the domestic market which were found to have the same construction number (see also section 2(b)) as the Chinese types exported to the Community. In view of the difficulties in finding a representative quantity of comparable types, the Commission used normal values of all Indian exporters, that is those selected in the main sample.

(c) *Export price*

(162) The procedures and methodologies followed by the Commission in assessing the export price of products originating in China were the same as those set out in section 2(c).

(163) One of the companies had a related importer based in Germany, which dealt with part of their exports to the Community. For the transactions made through the related importer the export prices were constructed on the basis of the price paid or payable by the first independent customer for the product concerned, less the SG & A costs and a reasonable amount for profit, in accordance with Article 2(9) of the Basic Regulation. The profit margin was provisionally estimated at 5 % on turnover.

(d) *Comparison*

(164) For the purpose of ensuring a fair comparison between the normal value and the export price, due allowance in the form of adjustments was made for differences affecting price comparability in accordance with Article 2(10) of the Basic Regulation.

(165) Where applicable, adjustments were made on the export price to take account of credit costs, transport, packing and commission.

(166) On the normal value side, all allowances granted to the Indian exporters (see section 7(c)) were also deducted in the case of China.

(e) *Dumping margin*

(167) Weighted average normal value by type, as determined for India under section 7(a), was compared with the export price, as determined under section 8(c), both adjusted in accordance with section 8(d). The methodology applied was that described in section 2(e).

(i) Dumping margin for China

(168) The comparison, as described in section 8(d), shows the existence of dumping in respect of the three Chinese producers. In the absence of individual treatment for any of the companies concerned, a single dumping margin was calculated for China, which is the average of the margins found for the three companies, weighted on export turnover. The dumping margin expressed as a percentage of the CIF import price at the Community border is 15,7 %.

9. **Dumping margins**

	Companies in the sample		Cooperating companies	Non-cooperating companies
People's Republic of China	Single margin		15,7 %	None
Egypt	Single margin		20,6 %	20,6 %
India	— Century Textiles & Industries Ltd	15 %	13,2 %	16,9 %
	— Mafatlal Group (Mafatlal Industries Limited + The Mafatlal Fine Spinning & Manufacturing Company Ltd)	16,9 %		
	— Coats Viyella India Ltd	14,7 %		
	— Vardhman Spinning & Gen. Mills Ltd	4,9 %		
	— Virudhunagar	5,9 %		
Indonesia	— Group Argo Pantes (PT Argo Pantes + PT Daya Manunggal)	31,7 %	13,5 %	31,7 %
	— Apac Inti Corpora	19 %		
	— Eratex Djaja	29,7 %		
Pakistan	— Diamond Fabrics Ltd	15,6 %	19,2 %	32,5 %
	— Nishat Mills Ltd	32,5 %		
	— Kohinoor Raiwind Mills Ltd	11,7 %		
	— Kohinoor Weaving Mills Ltd	11,7 %		
Turkey	— Birlik Mensucat	11 %	10,9 %	14,2 %
	— Tureks	10,4 %		
	— Teksmobili	1,6 %		

D. **COMMUNITY INDUSTRY**

(169) In view of the large number of producers supporting the complaint (hereinafter called the 'Community industry') and wishing to cooperate with the Commission, the Commission decided to investigate injury on the basis of a sample of Community producers which could reasonably be investigated within the time available. In the notice of initiation it was announced that the sample used in the previous proceeding would be the basis for the selection. In order to select the sample, the Commission requested the complainant to present company-specific production and sales data of the product concerned for the year 1996.

(170) On the basis of that information the Commission selected 14 companies, representing 7 Member States, to which questionnaires were addressed. In the selection, the following criteria were considered: number of companies per country, according to the relative importance of the country; main producing Member States; various company sizes and production structures. The companies included in the sample represented around 52 % of total Community production of the product concerned during the investigation period.

(171) Parties concerned which, following the notice of initiation, had expressed their wish to be consulted by the Commission on the final selection of the sample were thus given disclosure of the sampled companies and of the methodology used for their selection.

The following producers were selected for the sample:

Germany:

— Ettlin Gesellschaft für Spinnerei und Weberei AG,

— Velener Textilwerke Grimmelt Wevers & Co. GmbH,

— Hecking Söhne,

— A. Kümpers GmbH & Co;

Italy:

— Tessiture Niggeler & Küpfer SpA,

— Standartela SpA;

France:

— Éts. des Fils de V. Perrin,

— Tenthorey,

— SA HGP GAT,

— Fil. et Tis. de Saulxures;

Spain:

— Hilados y Tejidos Puigneró, S.A.;

Portugal:

— Incotex - Indústria e Comércio de Têxteis, Lda;

Belgium:

— Le Compte Textielfabrieken NV;

Austria:

— Linz Textil GmbH.

(172) Linz Textil was excluded from the sample due to its inability to provide the requested data, although expressly supporting the proceeding.

E. INJURY

1. Preliminary remark

(173) For the purpose of the analysis of the injury aspects of the case, the Commission analysed data relating to the period from 1 January 1993 to 30 June 1997.

(174) In order to enable yearly comparisons to be made, the respective calendar years 1993 to 1996 have been compared to a period covering July 1996 to June 1997, which for the purpose of the establishment of trends in injury, causation and Community interest analyses is hereinafter referred to as the Injury Investigation Period (IIP).

(175) The geographical scope of the investigation over the period from January 1993 to June 1997 was the current Community of 15 Member States. Injury has been analysed by reference to the non-captive market, since it has been found that a clear separation exists between the captive and non-captive markets for unbleached cotton fabrics in the Community.

2. Community consumption

(176) Between 1993 and 1996 the apparent Community consumption, as calculated by adding the production of Community producers [1] to imports [2] and deducting exports [3], increased by 12,7 %, from around 273 000 tonnes to around 308 000 tonnes. In 1994 consumption amounted to around 312 790 tonnes and in 1995 it amounted to around 282 200 tonnes. In the IIP consumption amounted to around 297 600 tonnes.

3. Cumulative assessment of the effects of the imports concerned

(177) The Commission examined whether imports from all countries concerned should be assessed cumulatively pursuant to Article 3(4) of the Basic Regulation.

(178) In this respect Turkish exporters have argued that exports of unbleached cotton fabrics from Turkey should not be cumulated with the rest of the countries concerned, in view of the decline of exports from Turkey, their decreasing share of the Community market and differences in export prices as compared to the other countries concerned.

(179) Similarly, Egyptian exporters have argued that exports from Egypt should not be cumulated with the rest of the countries concerned, in view of the decrease in their absolute and relative level of exports and their different market behaviour.

(180) The Commission has examined these arguments, taking account of the conditions of Article 3(4) of the Basic Regulation, according to which the effects of imports 'shall be cumulatively assessed only if it is determined that (a) the margin of dumping established in relation to the imports from each country is more than *de minimis* as defined in Article 9(3) and that the volume of imports from each country is not negligible; and (b) a cumulative assessment of the effects of the imports is appropriate in the light of the conditions of competition between imported products and the conditions between the imported products and the like Community product.' On this basis, the following provisional conclusions have been made:

(a) *Turkey*

(181) With respect to the dumping margin and the volume of imports, they cannot at this stage be considered *de minimis* or completely negligible. With respect to the appropriateness of a cumulative assessment in the light of the conditions of competition, the following provisional findings have been made:

Volumes and market shares: between 1993 and the IIP, exports from Turkey have decreased by 40 %, from around 9 300 tonnes in 1993 to around 5 600 tonnes in the IIP. Their share of the Community market has decreased by 44 points between 1993 and the IIP, that is from 3,4 % in 1993 to 1,9 % in

[1] *Source*: CITH, Euratex and Eurocoton.
[2] *Source*: Eurostat and the statistical offices of Sweden, Finland and Austria for the years prior to 1995.
[3] *Source*: Eurostat and the statistical offices of Sweden, Finland and Austria for the years prior to 1995.

the IIP. This trend is confirmed by the export figures of the nine first months of 1997 (3 205 tonnes). This points, on an annual basis, to a further decline of 21 % for 1997 compared to the IIP, representing around 1,5 % share of the Community market. The decrease should be seen in the light of the non-existence of quota restrictions between Turkey and the Community.

Prices: As regards the prices of the product concerned as reported by Eurostat, there was an increase of 9 % between 1993 and 1996. In 1996 Turkish prices were the highest of the countries concerned; between 1996 and the IIP prices increased by a further 1 %. With respect to price undercutting, provisional figures point to an average of 5,6 %. However, the representativeness of the sample on which this figure is based still needs to be further verified (see below). On average, this provisional figure is the lowest of all countries under investigation.

(182) In conclusion, it has been found that there has been a decrease in the volume of imports, a decrease in the share of the Community market as well as a price increase in Turkish imports in the period under investigation. However, the undercutting provisionally established is not insubstantial, even though it is based on a sample the representativeness of which is doubtful. For these reasons, it is provisionally considered appropriate to reject the Turkish request for non-cumulation and to cumulate imports from Turkey with the rest of the countries concerned. Nevertheless, the issue will be further investigated.

(b) *Egypt*

(183) Imports from Egypt have remained fairly stable at around 13 000 tonnes between 1993 and 1996. Between 1996 and the IIP there was an increase in imports from 12 800 to 14 600 tonnes, that is 14 %. Furthermore, their share of the Community market has remained stable at around 5 %.

(184) It has also been found that imports of unbleached cotton fabrics from Egypt followed a similar pricing pattern to that of Indian, Chinese, Pakistani and Indonesian imports. When considered in isolation, the volumes exported from the countries concerned are not negligible. Imports from the third countries concerned compete with each other and with the like product manufactured by the Community industry, given their similar import and pricing trends.

(185) In view of these circumstances, it is provisionally considered appropriate to cumulate imports from Egypt with the rest of the countries concerned.

4. Volume and market share of the dumped imports

(186) The volume of imports from the countries concerned increased by 13 % between 1993 and 1996, from 117 224 tonnes in 1993 to around 131 693 tonnes in 1996. Between 1996 and the IIP (a period during part of which provisional measures were in force) imports from the countries concerned decreased by 24 % from around 131 693 tonnes in 1996 to around 100 385 tonnes in the IIP.

(187) The import trends should be considered in the light of the following factors: firstly, quotas applicable to most of the countries concerned, which limit the volumes of their imports to a fixed level, the flexibility of the quotas being limited; secondly, a certain stocking effect that appears to have taken place in 1996, partly owing to the new anti-dumping complaint lodged that year and the reaction of the market, which anticipated the possible imposition of duties; thirdly, the opposite effect of sales out of stocks, and therefore reduced imports during 1997, a period during part of which provisional anti-dumping duties were in force.

(188) The share of the Community market held by imports from the countries concerned decreased between 1993 and 1994 from 42,8 % to 40,5 %, further decreased in 1995 to around 39 % and increased in 1996 to 42,7 %. In the IIP the share of the Community market held by imports from the countries concerned decreased to 33,7 %.

5. Prices of the dumped imports

(189) Examination of trends of weighted average export prices from the countries concerned, as provided by Eurostat, shows that export prices from the countries concerned increased from ECU 3/kg in 1993 to ECU 3,2/kg in 1994. Prices further increased to ECU 3,6/kg in 1995 and they decreased to ECU 3,4/kg in 1996. In the IIP prices increased to ECU 3,5/kg.

(190) The Commission has examined whether the producers/exporters in the countries concerned are undercutting the prices of the Community producers. The analysis covered the investigation period (1 January 1996 to 30 June 1997).

For the analysis of the price undercutting, the exported unbleached cotton fabrics as well as those manufactured in the Community by the Community industry have been grouped in categories

according to four criteria considered to have the highest impact on the cost of production, namely count of yarn in warp and weft, number of thread in warp and weft.

Exporters' prices have been duly adjusted to CIF value and duty paid. Where appropriate, a level of trade adjustment has been granted based on information gathered from the responses to the unrelated importers' questionnaires. Community producers' prices have been adjusted to ex-works level.

Within each category, the weighted average ex-works prices of the Community producers have been compared to the weighted average export prices of each producer/exporter concerned.

(191) The undercutting margins found per country, expressed as a percentage of the Community producers' prices, are as follows:

— People's Republic of China: between 20 % and 24 %, on average 21,7 %;

— Egypt: between 24 % and 35 %, on average 27,8 %;

— India: between 3 % and 35 %, on average 26,9 %;

— Indonesia: between 18 % and 36 %, on average 29,2 %;

— Pakistan: between 9 % and 19 %, on average 13,3 %;

— Turkey: between 0,1 % and 21,2 %, on average 5,6 %.

(192) For Turkey, the calculation showed the following particularities. Doubts about the representativity of the four sampled companies chosen from Turkish exporters result from the following factors. Firstly, one company did not cooperate. Secondly, one company was found to be exporting mainly one type of fabric for which the price comparison was particularly difficult; the undercutting margin found for this company amounts provisionally to 0,1 % (the company has a *de minimis* dumping margin). The third company for which an undercutting margin of 21,2 % was established only accounts for around 5 % of total exports by the sampled companies. The fourth company, whose exports account for around 50 % of the sample, has an undercutting margin of 5,5 %. These results deviate substantially from the results found in the previous investigation. In view of the limitations in the sample, while it was considered sufficient at the provisional stage to use the information currently available, the question of price undercutting will be further investigated. In particular, an attempt will be made to select a new sample.

6. **Situation of the Community industry**

(a) *Preliminary remark*

(193) For the injury analysis, two sets of data have been assessed: data at the level of all complainants, that is the Community industry and data at the level of the sampled companies.

(b) *Data relating to the Community industry as a whole*

(194) Between 1993 and 1996, production of unbleached cotton fabrics by the Community industry decreased from around 85 600 tonnes to around 83 200 tonnes, that is by around 3 %. In the IIP, production increased by 5 %, to around 87 500 tonnes.

(195) While Community consumption rose by 12,6 % between 1993 and 1996, total sales by the Community industry decreased by around 1,4 %, from 74 000 tonnes to around 73 000 tonnes. The corresponding share of the Community market decreased from 27 % to 24 %, a decline of 11 % in relative terms over the period.

(196) Between 1996 and the IIP, sales of the Community industry increased to 77 000 tonnes, that is an increase of 5 %, while the share of the Community market increased to 26 %, the period of application of anti-dumping measures largely coincided with that in which these increases occurred.

(197) Between 1993 and 1995, 88 company closures took place in the Community, with a loss of total employment of around 8 600 employees. Between January 1996 and July 1997, 24 companies were closed with a loss of total employment of around 2 500 employees. This loss in employment would amount to around 4,5 % of the total captive and non-captive employment in weaving of cotton fabrics. These data relate to Community producers with captive and non-captive production of > 50 % cotton, it not being possible to make specific allocations between captive and non-captive production.

(c) *Data relating to the sampled Community producers*

(i) Production

(198) Production of the sampled Community producers decreased by 6,3 % between 1993 and 1996, from around 52 000 tonnes in 1993 to around 48 700 tonnes in 1996. In the IIP, production increased to 52 000 tonnes.

The trends of the average monthly production show a decrease of 8 % between 1993 and 1996, with an increase of 20 % between 1996 and June 1997, coinciding with the period of imposition of provisional anti-dumping measures.

(ii) Capacity

(199) Maximum production capacity, as measured in machine hours per year of the sampled producers, decreased from 18,1 million hours per year in 1993 to 16,9 million hours per year in 1996, a decrease of 7 %. Between 1996 and the IIP, production capacity increased from 16,9 million hours per year to 17,3 million hours per year.

With respect to capacity utilisation, the actual machine hours worked decreased from 15,4 million hours in 1993 to 15,3 million hours in 1996. Between 1996 and the IIP, actual machine hours increased to around 16 million hours.

During this period the sampled Community producers have rationalised production in the form of a reduction of capacities and modernisation of the machinery.

(iii) Stocks

(200) Stocks of the sampled producers increased between 1993 and 1996 by around 54 %, from around 3 800 tonnes to around 5 900 tonnes. During the IIP, stocks decreased to 2 800 tonnes.

(iv) Sales volumes

(201) Sales of the product concerned by the sampled Community producers decreased by 5,8 % between 1993 and 1996, from around 52 000 tonnes to around 49 000 tonnes. During the IIP, sales rose to 53 000 tonnes.

The average monthly evolution of sales shows a decrease of 5 % between 1993 and 1996, from an average of 4 336 tonnes/month in 1993 to 4 110 tonnes/month in 1996. Between 1996 and the IIP, the average monthly sales of the sampled Community producers increased by 8 %, to an average of 4 422 tonnes/month, partly coinciding with the period of application of the anti-dumping measures. While in 1996 the average monthly sales amount to 4 110 tonnes/month, during the first six months of 1997 the average monthly sales amount to 5 250 tonnes/month.

(v) Prices

(202) The analysis of the development of prices of the sampled Community producers shows an increase of 8 % between 1993 and 1994, a further increase of 13 % between 1994 and 1995. Between 1995 and 1996, prices increased by 4 %. Between 1996 and the IIP, prices decreased by 2 %.

(203) The trends of the Community producers' prices have to be seen in the light of two main factors that have influenced the costs of Community producers: (a) prices of raw cotton, and (b) costs arising as a result of making frequent changes in constructions and weaving shorter series, due to the pressure of imports from the countries concerned on certain constructions.

(204) With respect to raw cotton — main input in the manufacture of fabrics and accounting for around one-third of the total manufacturing costs — price trends have been examined. Between 1993 and 1994, the price of raw cotton in the world market increased by 48 %; between 1994 and 1995, raw cotton prices increased by a further 15 %. Between 1995 and 1996, prices of raw cotton decreased by 15 %. Between 1996 and the IIP, raw cotton prices increased by 10 %.

(205) A comparison of the two trends would imply that the rise in prices of fabrics failed to match even the rise in the cost of the raw cotton. Account should be taken of the fact that the increase in the cost of the raw material only has an impact on the price of the unbleached fabric between six months and one year later, due to advance purchases.

(206) It should also be noted that the costs of the Community producers also increased during the period from 1993 to 1996 for the same reasons as those given in recitals 203, 204 and 205, thus preventing Community producers from benefiting from economies of scale and thus reaching a profitable situation.

(207) It is provisionally concluded, therefore, that despite an increase in the prices of the Community industry, Community producers failed to match the increase in the manufacturing costs. This situation can be regarded as one of price suppression.

(vi) Investments

(208) Between 1993 and the IIP, the sampled Community producers increased their rate of investments from around ECU 7 million to around ECU 13 million, that is by 76 %, representing around 4 % and 5,5 % on turnover, respectively. The rate of investments has been maintained even at a time when profitability was negative, in order to maintain competitiveness.

(vii) Profitability

(209) Between 1993 and 1996, the profitability of the sampled Community producers deteriorated. Indeed, the weighted average profit decreased from around 0 % in 1993 to around −2 % in 1996. During the IIP, which partly coincided with the period of imposition of provisional anti-dumping measures, the losses decreased to 1 %.

(viii) Employment

(210) The total number of employees in the sampled Community producers decreased from 5 352 in 1993 to 4 932 in 1996, a decrease of 8 %. In the IIP, the number of employees amounted to 4 965.

7. **Conclusion regarding injury**

(211) The examination of the above-mentioned injury factors shows that between 1993 and 1996 the situation of the Community industry deteriorated. Indeed, during this period, the Community industry suffered decreases in production, in sales in the Community, in profitability and in employment. During the same period, stocks increased.

(212) Although between 1996 and the IIP, the Community industry's production and sales increased and stocks decreased, it appears that the recovery is principally attributable to the provisional anti-dumping measures in place between November 1996 and May 1997. Furthermore, the limited duration of the measures did not allow the Community industry to regain profitability, the financial situation of the Community industry still being negative.

F. **CAUSATION**

1. **Introduction**

(213) Pursuant to Article 3(6) and (7) of the Basic Regulation, the Commission has examined whether imports of unbleached cotton fabrics originating from the countries concerned have caused injury to the Community industry to a degree that enables it to be classified as material. Known factors other than the dumped imports, which could at the same time be injuring the Community industry, were also examined to ensure that possible injury caused by those other factors is not attributed to the dumped imports.

2. **Effect of the dumped imports from the countries concerned**

(214) In examining the effects of the dumped imports, it was found that, between 1993 and 1996, the increase in the imports of unbleached cotton fabrics from the countries concerned, of 12 %, and their high share of the Community market, of around 43 %, coincided with a deterioration of the financial situation of the Community industry, whose share of the Community market decreased from 28 % to 26 %.

(215) The market for unbleached cotton fabrics is highly price-sensitive due to the type of product which, in general, can be characterised as a commodity, the great product interchangeability and the transparency of the market.

(216) Examination of trends of the Community producer's prices shows considerable price suppression between 1993 and 1996. Price suppression caused by the imports concerned was most apparent between 1995 and 1996, when Community producers were only able to increase their prices by 4 % (despite prices already having been suppressed over the previous two years); during the same period, prices of the imports from the countries concerned decreased by 6 %.

(217) Furthermore, it should be borne in mind that, during the period of imposition of provisional measures on imports from the countries concerned, there were clear signs of recovery of the Community industry, as shown below.

(218) It is therefore considered that in such a price-sensitive market, the pressure exerted by the imports concerned in the form of price undercutting caused price suppression for the Community producers leading to financial losses. For this reason, it is considered that one of the causes of the material injury suffered by the Community producers is the price undercutting.

3. **Effects of other factors**

(a) *Quotas and voluntary export restraints*

(219) Some parties have argued that imports from the countries concerned cannot be the cause of any injury suffered by the Community industry, since they are subject to quotas imposed in the context of the Multifibre Arrangement (MFA).

(220) Imports of unbleached cotton fabrics from the countries concerned, except Turkey, are currently governed by a number of trade agreements. Exports from India, Indonesia, the People's Republic of China and Pakistan are subject to import quotas. Volumes imported from Egypt are the subject of voluntary export restraints.

(221) The product concerned by the current proceeding falls under product Category 2 of the old MFA system as taken over by the WTO Agreement on Textile and Clothing. That category covers unbleached and bleached plain-weave fabric containing more than 50 % of cotton. Therefore, the proportion of exports of unbleached fabrics from the countries concerned covered by Category 2 quota may vary from year to year. Furthermore, the quota system allows for some flexibility in switching quota allocations between different categories, making advance use of them, as well as carrying over certain quantities between years.

(222) However, quotas restricting import volumes do not necessarily preclude the causation of injury to the Community industry, in the form of price suppression or price depression, their aim being only to restrict the quantities imported. Despite the existence of quotas, average prices of India, Indonesia, Pakistan and the People's Republic of China decreased between 1995 and 1996 by 5 %.

(223) In this respect, it should be noted that, despite the existence of quotas and import restrictions, imports of unbleached fabrics from the countries concerned which are subject to trade arrangements have substantially increased from around 107 000 tonnes in 1993 to around 121 000 tonnes in the IIP. It appears that the countries concerned have increased the proportion of unbleached fabrics within the total exports of the products covered by Category 2.

(224) Furthermore, the high and increasing import volumes from the countries concerned were sold at prices which significantly undercut Community producers' prices.

(225) Given those factors, it can provisionally be considered that the existence of quotas and voluntary export restraints does not preclude the imports concerned from being a cause of injury to the Community industry.

(b) *Imports from third countries*

(226) Certain interested parties have further alleged that any injury suffered by the Community industry has been caused by imports from third countries not covered by the proceeding.

(227) Imports of unbleached cotton fabrics from third countries rose from around 76 245 tonnes in 1993 to around 97 300 tonnes in 1996, having peaked at around 104 600 tonnes in 1994. In the IIP, imports of the product concerned from third countries increased to around 113 000 tonnes. The share of the Community market held by those imports increased from 28 % in 1993 to 32 % in 1996. In the IIP, it further increased to 38 %.

(228) As to the prices of imports from third countries, available Eurostat information shows that on average, prices charged by third countries are higher than the prices of the countries concerned. In 1993, the weighted average prices of imports from third countries — as reported by Eurostat — were 15 % higher than the weighted average prices from the countries concerned. In 1996 the difference amounted to around 6 %.

(229) If Russia and United Arab Emirates (UAE) are excluded, the prices of unbleached fabrics from other third countries in 1993 were 22 % higher than those of the countries concerned. In 1996 the difference amounted to around 13 %.

(230) Furthermore, in 1996 only four countries had a share of the Community market greater than 2 %, namely Estonia (2,6 %), Russia (3 %), UAE (3 %) and Thailand (4 %).

(231) Between 1993 and 1996, imports of the product concerned originating in Estonia have steadily increased from around 2 000 tonnes in 1993 to around 6 900 tonnes in 1996, while their share of the Community market has increased from around 1 % to around 2,6 %. Their prices have increased from ECU 2/kg to around ECU 3,1/kg.

(232) Between 1993 and 1996 imports of the product concerned originating in Russia remained stable at around 8 000 tonnes, while their share of the Community market remained stable at 3 %. Available Eurostat data show that their prices remained relatively stable at around ECU 2,5/kg.

(233) Imports from UAE substantially increased, reaching a share of the Community market of around 3 %. The issue of possible fraud in the declaration of the origin of those unbleached cotton fabrics is currently being investigated. The prices of those exports have remained stable at around ECU 3/kg between 1993 and 1996.

(234) As regards Thailand, exports remained stable at around 12 000 tonnes between 1993 and 1996 and their share of the Community market remained at 4 %. It is worth noting that prices of those imports as reported by Eurostat fluctuated between ECU 4/kg and ECU 4,5/kg, well above the prices charged by the exporters from the countries concerned.

(235) As regards third countries other than Estonia, Russia, United Arab Emirates and Thailand, each country individually has a small share of the Community market and their average prices between 1993 and 1996 remained at levels which are higher than those from the countries concerned. In 1996 prices of those other third countries were 10 % higher than those of the countries concerned.

(236) In the light of the foregoing, it is provisionally concluded that, although imports from Estonia, Russia and United Arab Emirates might also be causing injury to the Community industry, they have not broken the causal link between the imports from the countries concerned and the material injury suffered by the Community industry.

4. **Conclusion on causation**

(237) The negative situation of the Community industry coincided with an increase in the imports from the countries concerned (until the provisional anti-dumping measures were imposed in November 1996) and substantial price undercutting by those imports.

(238) The possibility cannot be ruled out that other factors, notably imports from Russia and United Arab Emirates (due to their increasing market share and low prices) and other low-cost third countries considered together (due to their important and increasing market share) have exerted pressure on the prices of the Community industry and have consequently contributed to the negative situation of the Community industry.

(239) However, even if certain other third countries might have contributed to the negative situation of the Community industry, taken in isolation, imports from the countries concerned have caused material injury to the Community industry.

G. **COMMUNITY INTEREST**

1. **The Community interest investigation: information gathering**

(240) Pursuant to Article 21 of the Basic Regulation, in order to assess properly the Community interest, the Commission has carried out an investigation into the likely effects of the imposition/non-imposition of anti-dumping measures on the economic operators concerned.

(241) The subsequent analysis is based on the information submitted by all interested parties, where duly substantiated by evidence.

(242) The Commission sent out specific requests for information in the form of questionnaires. They were addressed to 52 interested parties which were deemed representative of the different sectors of the textile industry directly concerned by the product under investigation, namely: spinners, weavers, importers-traders, finishers, converters and makers-up.

(243) Some interested parties have claimed that such an approach constitutes a breach of the Basic Regulation, since the latter does not provide for sampling in the context of the examination of the Community interest.

(244) However, the approach used cannot be characterised as sampling. Contrary to the procedure followed under Article 17 of the Basic Regulation, all arguments submitted by the interested parties, where substantiated by evidence, have been taken into account. It was in order to be able to obtain information in a systematic way allowing the Commission to respond to the different issues at stake and to complete and verify the information obtained that the Commission made specific requests for information to a limited number of parties.

(245) The Commission requested all interested parties that had made themselves known to provide information concerning production, sales, employment and imports for the year 1996.

(246) Within each type of activity, companies were selected from different Member States, according to the relative importance of that activity in the respective country. Within each country, and where available, companies were selected according to their turnover of the product concerned in the Community, within the categories of large, small and medium. In this respect the size of a company was considered to be indicative of its ability to negotiate prices.

(247) Within each type of activity, the number of companies selected therefrom varies according to the weight of the category with respect to the total volume of turnover reported for that country. With respect to the selection of the companies, the following criteria carried weight: activity being carried out on commission basis or not, degree of integration of the company and geographical location.

(248) The identity of the selected companies was disclosed to interested parties who had the opportunity to comment on it. Substantiated comments were duly taken into account.

2. **Economic operators concerned**

(249) The categories of economic operators concerned by the current proceeding are identified below. It should be emphasised that a large proportion of the industry is vertically integrated, covering one or more of the activities listed below.

(a) *Upstream industry: spinners*

(250) They transform the raw cotton into yarn through a highly automated process. The yarn is then used for weaving the fabric.

(b) *The Community industry: weavers*

(251) They weave yarn into fabrics.

(c) *Users*

(252) Finishers: woven fabric is bleached, printed, dyed or otherwise transformed. These activities are generally, but not always, performed by the same company.

(253) Makers-up: the finished cloth is cut and sewn to make garments, household goods, or industrial goods by makers-up. This is a labour-intensive stage, where the production processes are not normally automated.

(d) *Importers-traders/converters*

(254) They supply the Community's finishers and makers-up with cloth, either imported or purchased in the Community; converters also recruit the services of finishers to have the fabrics processed to the requirements of makers-up.

3. **The Community industry**

(a) *Nature and structure of the Community industry*

(255) Total captive and non-captive production of the product concerned amounted to around 317 000 tonnes in 1996. Total non-captive production of the product concerned in the Community amounted to around 92 000 tonnes in 1996. The complaining Community industry accounts for around 90 % of this figure.

(256) The Community industry is mainly composed of small and medium-sized companies. The production process is highly automated and capital-intensive. Substantial economies of scales are achieved when weaving large volumes of the same construction.

(257) Unbleached cotton fabrics are an intermediate product with a high degree of standardisation and price sensitivity, especially in the most common constructions, but subject to fashion changes and, in niche areas of the market which require unusual constructions, demand may be for limited quantities only.

(258) Employment corresponding to the product concerned, of both the integrated and non-integrated Community weavers, amounted to 40 000 in 1996. The employment attributable to the non-integrated producers of the product concerned in the Community would amount to around 12 000.

(b) *Viability of the Community industry*

(259) The Community industry is viable and competitive. This provisional assessment is based on an appreciation of the following elements:

(i) Degree of investments and machinery replacement

(260) The average rate of replacement of the machinery is around seven years. The companies invest in the latest and fastest technology in order to benefit from economies of scale and to be able to offer a product that is price competitive.

(ii) The commitment of the Community industry to the development of new technology

(261) This is apparent from the participation of some of the sampled Community producers in new R&D projects developing new spinning methods [1], which will have consequential benefits for weaving.

(iii) Development of new constructions for new uses

(262) Community producers are constantly developing new constructions. This is necessary in order to remain in the business by offering new products where competition from third countries is initially very low.

[1] This project is currently being developed under the auspices of the Community research programme BRITE.

(iv) Export performance

(263) Exports of the product concerned by the Community industry have remained relatively stable at around 10 000 tonnes between 1993 and the IIP.

(c) *Effects of the past imposition of measures on the Community weavers*

(264) The Commission has examined the effects that the imposition of provisional measures in the last proceeding had on the Community industry. The effect of the measures should be seen in the light of the fact that they had a limited duration of six months. As already explained above, between 1996 and the IIP the sampled Community producers increased their production and sales and decreased their stocks.

(i) Increase in sales volumes

(265) The imposition of anti-dumping duties on the product concerned resulted in an increase in sales volumes, more noticeable in the case of those companies manufacturing standard commodity products. The increase in the quantities sold allowed Community producers to reduce costs through economies of scale, with a positive effect on profitability.

Example: Company 1 (Germany)

Firm orders placed with the company for the period from November 1996 to May 1997 increased when compared with the same period over the previous year, from 13 300 tonnes to 20 000 tonnes, a rise of 52 %.

For the same company, the monthly sales increased, between November 1996 and May 1997 compared with the same period over the previous year, from 1 900 tonnes a month to 2 800 tonnes a month, a rise of 47 %.

Example: Company 2 (France)

The impact of the measures in the form of increase in sales was evaluated in relation to two constructions, representing around 60 % of sales of the product concerned by that company in 1996. Between November 1995 to May 1996 and November 1996 to May 1997, sales of these constructions increased by 28 %, from around 3 400 tonnes to around 4 300 tonnes.

Example: Company 3 (Italy)

Between November 1995 to May 1996 and the same period in 1996/97, the company increased total sales of the fabrics concerned by 35 %, from 12 million metres to 16,2 million metres.

Example: Company 4 (Portugal)

Sales volume of two of the main imported constructions (20 × 20 and 30 × 30) manufactured by this company increased by over 180 % between January to March 1996 and the same period in 1997, from around 31 tonnes to around 90 tonnes.

(ii) Reduction of stocks of the product concerned

(266) The provisional anti-dumping measures resulted in a reduction of stocks. This is more noticeable in the case of companies specialised in the manufacture of standard constructions, such as 20 × 20, 30 × 30 and 40 × 40.

Example: Company 1 (France)

The level of stocks at the end of May 1996 increased by 1 % when compared with the same date in 1995. At the end of May 1997, the level of stocks had decreased by 58 % when compared with the same date in 1996.

Example: Company 2 (France)

The level of stocks for this company at the end of May 1996 decreased by 5 % when compared with the same date in 1995. At the end of May 1997, the level of stocks had decreased by 34 % when compared with the same date in 1996.

Example: Company 3 (Italy)

The level of stocks for this company at the end of May 1996 had increased by 474 % when compared with the same date in 1995. At the end of May 1997, stocks had decreased by 60 %, when compared with the same date in 1996, that is from 2,9 million metres in 1996 to 1 million metres in 1997.

(iii) Prices of the product concerned

(267) Between 1996 and the IIP, weighted average prices of the sampled Community producers decreased by 2 %. This would indicate that the benefit of measures for the Community producers, at least in the short term, would consist of an increase in the volumes sold. These figures appear to contradict the argument that Community producers would take the opportunity to raise their prices by an amount equal to the anti-dumping duty.

(268) It is therefore provisionally concluded that the sampled Community producers benefited from the limited period when measures were in place, as they increased production and sales and reduced stocks.

(d) *Arguments raised by interested parties*

(i) Competition from other imports

(269) It has been alleged that Community weavers would not benefit from anti-dumping duties since imports of unbleached cotton fabrics from the countries concerned would be substituted with imports of the same product from third countries.

(270) In this respect, it should be noted that imports from third countries have increased during the period 1993 to 1996, when no measures were in place (except for the last two months of 1996). Imports from third countries increased from around 76 000 tonnes in 1993 to peak at around 104 500 tonnes in 1994. Imports decreased to around 90 000 tonnes in 1995, and further increased to around 97 400 tonnes in 1996. During the IIP, imports increased to around 113 000 tonnes.

(271) The trend in 1995 and 1996 appears to show that imports from other third countries as alternative sources of supply do not have a durable character, probably because of the limited capacities and, in some cases, lower quality standards.

(272) Nevertheless third countries, as well as the Community industry, have benefited from the imposition of provisional anti-dumping measures, in terms of sales and market shares.

(273) Furthermore, imports from other third countries remained highly fragmented between 1993 and 1996: in 1993 around 70 % of total imports from other third countries was accounted for by 22 countries (the rest was shared by no less than 88 countries) and only two countries had a Community market share greater than 2 % (Russia and Thailand). In 1996 imports from other third countries amounted to around 97 400 tonnes. Around 75 % of this was exported by 22 countries, only four of which had a share of the Community market higher than 2 % (Estonia, 2,6 %, Russia, 3,4 %, Thailand, 5,4 %, and United Arab Emirates, 4,3 %).

(274) The fragmented nature of imports from other third countries (over 100 countries represent a share of 32 % of the Community market in 1996) would appear to justify the conclusion that, currently, only limited capacity is available in each third country. Consequently there are limited prospects for these countries to constitute an alternative source of supply to the imports from the countries concerned, (6 countries with a share of 43 % of the Community market).

(275) Their limited capacity is also evident from the low quota Category 2 utilisation of some of these third countries in 1996 (Czech Republic, Malaysia, Brazil, Romania, Hungary, Poland).

(276) Imports from other third countries are also subject to trade agreements. Imports from third countries are equally subject to quotas or voluntary export restraint arrangements, in particular Russia (quota utilisation of 91 % in 1996), Thailand (97,4 %) and Malaysia (75 %).

(277) Apart from Russia, United Arab Emirates and Zimbabwe, prices of imports from other third countries (representing around 76 % of total exports from all third countries) are on average higher than those of imports from the countries concerned. In 1993 import prices from those other third countries were 26 % higher than those of the countries concerned, the difference being 14 % in 1996. In the IIP, the difference amounted to around 6 %.

(278) In the case of Russia, it has been alleged that unbleached fabrics are generally of lower quality than those of the countries concerned and other third countries. In the case of the United Arab Emirates, the increase in its exports could be due to fraud in the declaration of the origin of these unbleached cotton fabrics which is currently being investigated.

(279) It is provisionally concluded that, given the fragmented nature of imports, the limited capacities available in the individual third countries, their price level and the existence of quotas and trade arrangements, it is not likely that imports from the countries concerned would constitute a durable and stable alternative source of supply such as to prevent the Community industry from benefiting from any anti-dumping measure.

(ii) Import substitution: finished products

(280) Some interested parties have claimed that the imposition of any anti-dumping measures on imports of unbleached cotton fabrics will result in a shift of imports towards finished fabrics, thus negating any possible benefit to the Community industry. In order to support their argument, parties pointed to the increase in the imports of finished fabrics between January and April 1996 as compared with the same period in 1997.

(281) Imports of finished fabrics between 1993 and 1996 show a progressive increase in absolute amounts, from around 45 000 tonnes in 1993 to around 47 500 tonnes in 1996. This trend is also evident concerning finished fabrics with a content of less than 85 % cotton, where imports rose from around

4 700 tonnes in 1993 to around 7 000 tonnes in 1996, all this occurred at a time where no anti-dumping measures were in place. Between 1996 and the end of the IIP, imports of finished fabrics rose from 47 500 tonnes to 53 000 tonnes.

(282) A comparison of the import figures of finished fabrics in the period November 1996 to May 1997 (period of appliction of provisional measures) and the same period in 1994, 1995 and 1996 shows that imports of finished fabrics increased from around 25 500 tonnes in the period 1993 to 1994 to around 32 000 tonnes in the same period in 1996 to 1997.

(283) Imports of finished fabrics both ≥ 85 % cotton and < 85 % cotton have increased in the past years, probably coinciding with the development of finishing facilities in third countries. It would be difficult to assume that this evolution is solely or mainly due to any anti-dumping measure, since no measures were in place during the great part of the time examined. This is further confirmed by an analysis of the figures corresponding to the period where measures were in place.

(284) Between 1993 and 1996 imports of dyed and printed fabrics have increased; between 1996 and the IIP imports of dyed and printed fabrics have remained relatively stable. It can be concluded that the imposition of an anti-dumping duty on imports of unbleached fabrics will not cause a shift towards imports of dyed and printed fabrics. Thus it can provisionally be concluded that any increase in the imports of these fabrics over the period 1993 to the IIP and for the future will be due to the development of the textile trade in the exporting countries towards higher value added products.

(285) Between 1993 and 1996 imports of bleached fabrics decreased from 13 000 to 10 300 tonnes. Between 1996 and the IIP, imports of bleached fabrics increased more than the average of the other finished products, from around 10 300 to around 15 000 tonnes.

(286) The increase of around 5 000 tonnes between 1996 and the IIP breaks down as follows:

Imports bleached fabrics	Volume (tonnes)		Prices (ECU/kg) bleached		Price (ECU/kg) unbleached fabrics	
	1996	IIP	1996	IIP	1996	IIP
India and Pakistan	2 700	5 700	4,7	4,6	3,3	3,4
Other countries concerned	1 500	2 500	5,5	5,8	3,4	3,5
Other third countries	6 000	7 100	8	7,2	3,6	3,5

Source: Eurostat

(287) The cost of bleaching is directly related to the weight of the fabric. For a 120 g/m² fabric, the cost of bleaching amounts to around ECU 0,6/kg. The cost increases by around 10 to 15 % in the case of a 200 g/m² fabric. Since the average weight of imports of bleached fabrics is between 130 and 200 g/m² and, therefore, the cost of bleaching can be estimated at around ECU 0,8/kg, the economic viability of switching to imports of bleached fabrics appears to be barely justified:

IIP	Price (ECU/kg) of unbleached fabrics (Eurostat)	Estimated 15 % anti-dumping duty	Estimated cost of bleaching in EC (ECU/kg)	Estimated total costs of unbleached fabric imported and bleached in EC (ECU/kg)	Price (ECU/kg) imported bleached fabric (Eurostat)
India and Pakistan	3,4	0,5	0,78	4,7	4,6
Other countries concerned	3,5	0,5	0,78	4,8	5,9
Other third countries	3,7	No duty	0,78	4,5	7,2

(288) It should be noted that the prices of imported bleached fabrics are in all cases higher than the prices of imported unbleached fabrics plus an estimated anti-dumping duty of 15 %, except as regards India and Pakistan. Import prices of bleached fabrics are also higher than the import prices of unbleached fabric plus an anti-dumping duty of 15 % and the cost of bleaching in the Community.

(289) It appears that there would be no economic justification for the importation of bleached fabrics in the case of countries concerned other than India and Pakistan, as well as for other third countries concerned.

In the case of India and Pakistan, the economic justification, albeit possible, would appear to be minimal considering that bleaching constitutes an integral part of an activity, which comprises, *inter alia*, printing and even making-up; the necessary quality control and observance of customer requirements would limit the possibility of switching to imports of bleached fabrics in any signficant extent. In this respect information provided by certain parties shows that imports of bleached fabrics during the period of application of provisional measures have proved too costly, because of the low quality of the imported bleached fabrics.

(290) Furthermore, information available to the Commission indicated that fraud could have taken place in the declaration of some pre-bleached fabrics (so-called fugitive dyed fabrics, currently classifiable as unbleached fabrics) as bleached fabrics. It is possible, therefore, that the increase observed in the trend of imports of bleached fabrics is less accentuated than appears to be the case.

(291) It is provisionally concluded, therefore, that it would not appear economically justified in view of the prices and costs observed during the IIP for the imposition of an anti-dumping duty to result in a surge in imports of bleached fabrics.

The lack of economic justification for importing bleached fabrics appears to be at odds with the observed increase in the imports of bleached fabrics of around 5 000 tonnes between 1996 and the IIP, even if fraud could be taking place. This issue will be further investigated.

(292) Moreover, finished fabrics are also subject to quantitative restrictions and therefore a possible shift in imports from grey fabrics to finished fabrics would be limited to the amount of the quotas established.

Bleached fabrics are part of quota Category 2, which includes all unbleached and finished fabrics $\geq$ 85 % cotton and $<$ 85 % cotton. Dyed and printed fabrics are part of subquota Category 2a, which includes specifically printed and dyed fabrics, as well as coloured yarn, also $\geq$ 85 % and $<$ 85 % cotton. Subquota Category 2a fixes, import ceilings that cannot be exceeded: no transfers are possible from Category 2 to Category 2a.

Imports of finished fabrics from India, Pakistan, Indonesia and the People's Republic of China are subject to quotas. Imports of finished fabrics from Egypt are limited by voluntary export restraints. Imports of finished fabrics from Turkey have not been subject to quotas since 1996. Imports of finished fabrics from other main third exporting countries of these products are also subject to quotas.

(293) Imports of bleached fabrics represent around 2 % of total Community consumption of finished fabrics. As mentioned above, they are part of the MFA quota Category 2, which includes all unbleached and finished fabrics of both $\geq$ 85 % cotton and $<$ 85 % cotton.

The quota Category 2 is being utilised at quite high rates (63 %). Indeed, the existence of the quota has not impeded a high rate of market penetration by imports of unbleached cotton fabrics $\geq$ 85 % (74 % of total non-captive Community consumption).

The rates of utilisation of the quota in 1996 for India, Indonesia, Pakistan and the People's Republic of China ranged between 76 and 106 %. For Egypt, subject to voluntary export restraints, the rate of utilisation of the amounts fixed for Category 2 in 1996 was 77 %.

Even if, further to the imposition of an anti-dumping duty of 15 %, the Category 2 quota could hypothetically be totally used for the importation of bleached fabrics instead of unbleached ones, the lack of economic justification of such a switch makes the realisation of this possibility unlikely.

(294) Printed and dyed fabrics are covered by Category 2a. The quota in Category 2a is being utilised at lower levels (40 %). This lower utilisation coincides with a lower import penetration of printed and dyed fabrics (around 8 % of market penetration). It

appears, thus, that the Community market for finished fabrics is mainly served by Commuity finishers; this appears to be explained by their know-how, adaptability to fashion changes and quality.

(295) Opened quotas in Category 2a (96 000 tonnes) represent around 82 % of total Community imports of finished fabrics of Category 2a. The quota covers almost all so-called 'low-cost exporters', the other main exporters being the United States of America, Switzerland and Japan. Turkey has not been subject to quotas since 1996. The rate of utilisation of the quota amounted to 41 % in 1996. In 1996, imports of finished fabrics form low-cost countries represented around 3 % of the total Community consumption of finished fabrics.

(296) The seven main exporting countries subject to quotas accounted for around 55 % of the total quota amounts. Those seven countries rank among the ten main exporters of finished fabrics to the Community. The utilisation of the quota for the year 1996 for India, Indonesia, Pakistan and the People's Republic of China ranged between 48 to 82 %. No subquota Category 2a exists for Egypt.

(297) The unused quota of finished fabrics for 1996 amounted theoretically to 55 000 tonnes, corresponding to 7 % of total Community consumption of finished fabrics of > 50 % cotton. However, the maximum possible margin of expansion is estimated at around 20 000 to 25 000 tonnes, representing around 3,6 % of total Community consumption of finished fabrics, since some countries are currently unable to produce (ex-Yugoslavia, Croatia, Bosnia-Herzegovina. . .), some countries no longer produce finished fabrics (Hong Kong, Singapore. . .), some other countries are already producing at their maximum capacity (CEECs. . .).

(298) Therefore, it would appear that the expansion of imports of finished fabrics currently subject to quotas would not exceed 25 000 tonnes (3,6 % of total Community consumption of finished fabrics).

(299) The quota for Eastern European countries has disappeared as of 1998. However, a significant expansion of exports of finished fabrics from these countries would require massive foreign investments in those countries, which traditionally do not possess the necessary know-how in this area, an event that is not likely to take place in the medium term.

(300) The quota for Turkey disappeared as from 1996. However, the switch from unbleached fabrics to finished fabrics appears to have already taken place in the period between 1994 and 1996, when no anti-dumping measures were in place, (except for a very short period, namely the last two months of 1996).

(301) As regards Egypt, a considerable increase in the exports of finished fabrics seems unlikely, since Egypt does not appear to have the necessary know-how, in particular in view of its past export trends.

(302) It has been provisionally established that imports of finished fabrics have increased at a time where no anti-dumping duties were applicable.

(303) It has also been estabished that during the period of application of provisional anti-dumping duties, imports of printed and dyed fabrics remained relatively stable.

(304) As regards bleached fabrics, the increase in imports during the period of imposition of provisional anti-dumping duties appears to lack economic justification as a means to avoid any possible anti-dumping duty.

(305) Any possible shift from unbleached fabrics to finished fabrics would be limited by the existence of quantitative restrictions.

(iii) Limited capacities available in the Community

(306) Some parties have claimed that, if measures were imposed, Community producers would not benefit from them since they are already producing at maximum capacity, and thus, supply shortages will occur.

(307) It should be noted that in the weaving sector capacity can be increased and decreased with a certain degree of flexibility. Capacity depends mainly on the number of machines (looms) available, their speed and the machine hours worked; labour does not play a predominant role since the industry is highly automated.

(308) As regards weaving looms, capacity can be increased and decreased according to the number and speed of the looms. In adverse economic conditions producers tend to reduce the number of machines and replace them with the fastest technology in order to decrease unit costs. Capacity can therefore be increased/decreased with a certain flexibility.

(309) Between 1993 and 1996 the number of machine hours worked by the sampled Community producers decreased by 7,5 %. However, between 1996 and the IIP, the number of machine hours worked increased by 3 %. Capacity can therefore be increased by increasing the number of machine hours worked.

(310) Moreover, weaving of the product concerned shares equipment and labour with other types of fabrics (polycotton, synthetics. . .). Therefore, the utilisation of capacity can be adjusted to the requirements of the market. In this respect, it has been found that there are no physical limitations to production capacity. The main cost of entering the market or expanding within it is the capital investment necessary to purchase the machinery (the average cost of a loom is between ECU 100 000 and 150 000).

(311) Furthermore, no supply shortages have been observed during the period of application of the previous anti-dumping measures. The trends of the apparent consumption in the Community show that between 1993 and 1995 apparent consumption increased moderately by 3 %. Between 1995 and 1996, apparent consumption increased by around 9 % probably induced by surge in imports following the announcement of the anti-dumping measures. Between 1996 and the IIP apparent consumption moderately decreased by 3 %, but this nevertheless represented an increase of 5 % over 1995.

(iv) Conclusion

(312) It is provisionally concluded that there is an increasing tendency to import finished fabrics, which is likely to continue in the future with or without the imposition of measures. It is concluded that the imposition of duties might have accelerated this trend concerning bleached fabrics. According to the information available, a switch towards imports of bleached fabrics as a means to avoid any anti-dumping duty on imports of unbleached fabrics does not seem to be economically justified. It is also concluded that a possible surge in imports of finished fabrics would be strictly limited by the existence of specific quotas on these products, as well as by the comparative advantage held by Community finishers in terms of know-how.

(313) It is also not considered likely that Community producers will be prevented from benefiting from anti-dumping measures due to any limitation in capacities.

(314) In view of the foregoing, it is not expected that an increase in imports of finished fabrics following the imposition of any anti-dumping measures will impair any beneficial effect to the Community producers.

(e) *Possible effect of taking measures*

(315) The effects observed as a result of the imposition of provisional measures during the period November 1996 to May 1997 provide guidance as to the possible effects of imposing anti-dumping measures in the present proceeding.

(316) It can be expected that, firstly, Communtiy producers will increase their share of the Community market as a consequence of increased sales. Secondly, it can be expected that the utilisation of capacity will increase, leading to an increase in production, allowing Community producers to reduce unit costs. Concerning prices, although a certain price decrease was observed during the period of application of the previous provisional measures, in the longer term it can be expected that prices will increase moderately, although not by the amount of any duty. As regards capacity, it is expected that the Community producers will increase utilisation, in the form of increased production, allowing them to reduce unit costs. In conclusion it is expected that the increase in production and sales, on the one hand, and the decrease in unit costs, on the other hand, will allow Community producers to regain profitability.

(f) *Possible effect of not taking measures*

(317) If measures are not taken, it is expected that the downward trend observed for the period between 1993 and 1996 will continue.

(318) In this respect a further erosion of the profitability of the Community industry would endanger this activity with the result of company closures and job losses. Information provided by the sampled Community producers indicated that the losses experienced over the past three years have been sustained by drawing on reserves. Should this situation continue in the future, it is expected that the companies would not be able to remain present in the sector.

(319) In the cotton industry the existence of non-integrated weavers constitutes an alternative to the integrated weavers and to the import of cotton fabrics and contributes to the overall flexibility of the sector as well as to its global competitiveness. Should such an alternative source of supply disappear, this will have negative consequences not only on the spinners, but also on the downstream industry as a whole.

4. **The supplier industry: spinners**

(a) *Situation of the spinning industry*

(i) General data relating to Community spinners

(320) Total Community production of cotton yarn (majority and non-majority cotton) amounted to around 805 000 tonnes in 1996 ([1]). The Community

([1]) Source: CITH (Category AMF No 1), figures only available for EU-12.

downstream industry constitutes the principal outlet of the total Community yarn production, since it absorbs around 95 % of production.

(321) The corresponding employment amounted to around 68 000 employees in 1996, covering both integrated and non-integrated spinners, employment by the non-integrated spinners being estimated at around 20 400 (1). The employment of non-integrated spinners of ≥ 85 % cotton yarn has been estimated at around 9 800.

(322) Yarn consumption in the Community in 1996 amounted to around 1 million tonnes. The consumption corresponding to yarn of ≥ 85 % cotton amounted to around 758 000 tonnes and that of < 85 % cotton amounted to around 243 000 tonnes (2).

(ii) Further analysis of data relating to Community spinners

(323) The spinners responding to the Community interest questionnaire decreased their production of yarn ≥ 85 % cotton from around 38 000 tonnes in 1995 to around 35 000 tonnes in 1996. The spinners considered produced open-end and ring-spun yarn.

(324) The Community sales of these companies decreased from around 37 000 tonnes in 1995 to around 31 500 tonnes in 1996. Sales value decreased from around ECU 107 million in 1995 to around ECU 98 million in 1996.

(325) Between 1996 and the IIP, partly coinciding with the period of imposition of provisional measures, production increased from around 35 000 tonnes to around 35 500 tonnes. Sales volume increased from around 31 500 tonnes to around 32 600 tonnes. Sales value increased from ECU 98 million to around ECU 108 million.

(326) The companies suffered weighted average losses amounting to 3,7 % in 1995 and to 4,6 % in 1996.

(327) Investments decreased from ECU 8,7 million in 1995 to around ECU 5,8 million in 1996, that is a decrease of around 33 %.

(328) Total employment of the spinners considered decreased from around 2 240 employees in 1995 to around 1 800 employees in 1997.

(b) *Effect of the imposition/non-imposition of measures*

(329) Around 95 % of total Community production of yarn (≥ 85 % and < 85 %) is destined for the Community downstream industry. 44 % of total Community consumption of ≥ 85 % yarn is destined for use in the Community weaving industry. In view of the share of the Community ≤ 85 % cotton yarn market held by Community yarn manufacturers (70 %), it is considered that around 30 % of the spinners' output is dependent upon Community weavers. Therefore, a major decline in the Community production of the product concerned would substantially affect Community spinners.

(330) This is also evident from the development of the sales and production trends of the spinners whose data were further analysed, which followed the general trend of Community weavers.

(331) Given this interdependence, a decline in Community production of the product concerned would most probably significantly affect Community spinners. In those circumstances it can be assumed that any improvement of Community weaving will positively affect Community spinners in view of their interdependence.

5. **Integrated producers**

(a) *Nature and structure of the industry*

(332) Integrated producers are those including among their activities weaving and any of the upstream or downstream activities up to the level of made-up goods. These companies use their production of unbleached cotton fabrics as an input into a downstream activity.

(333) Total Community production of the product concerned during 1996 amounted to 317 000 tonnes. The part of production attributed to integrated weavers amounts to around 224 500 tonnes.

(334) The employment represented by these integrated weavers has been estimated at around 24 000 employees.

(b) *Effect of the imposition/non-imposition of measures*

(335) It has been argued, on the one hand, that integrated producers would benefit from the imposition of measures, since their finished or ready-made products currently compete with finished or ready-made products benefiting from unbleached fabrics imported at dumped prices. Should measures not be imposed, integrated producers would continue to suffer a cost disadvantage that could lead to the cessation of in-house weaving altogether.

(1) Source: Euratex.
(2) Source: Euratex, CITH and Eurostat.

(336) On the other hand, the argument has been raised that integrated producers need access to cheap raw materials in their mix of own-produced and imported unbleached cotton fabrics, in order to remain competitive with respect to imports of ready-made articles at low prices.

(337) In this respect the following should be mentioned:

— Those integrated producers not importing unbleached fabrics would indeed benefit from measures, since their main competition takes place against these imports, allowing other Community producers to offer the ready-made articles at lower prices.

— For the integrated producers importing unbleached fabrics, the impact of measures would vary according to their dependence on imports from the countries concerned.

— Ready-made products such as bed linen are already subject to anti-dumping measures, therefore imports of unfairly priced bed-linen from low-cost third countries do not currently constitute a real threat to integrated producers at the level of ready-made goods. It should be noted that the bed linnen sector accounts for around 30 % of the making-up industry of the product concerned.

— Captive production of the product concerned represented in 1996 around 60 % of the total ≥ 85 % grey cotton processed by the Community finishing industry, thus explaining the importance of the integrated producers in this context.

6. **The downstream industry: finishers, converters, importers and makers-up**

(a) *Finishers*

(i) Nature and structure of the finishing industry

(338) Finishers transform the unbleached fabric into a finished fabric (bleached, dyed, printed). They can work on commission or be integrated in a group performing related upstream or downstream activities. Those working on commission obtain the raw material from a middleman — converter — and do not take ownership of the fabric.

The balance between commission finishers and non-commission finishers has been estimated on the basis of information relating to Italy, which represented around 35 % of the total finishing activities in the Community in 1996. In 1994, 88 % of total finishing activities were carried out on commission. Assuming that this percentage might be lower in other countries, it appears reasonable to assume that between 65 % and 70 % of total finishing activities in the Community are carried out on commission.

The finishing industry is capital intensive and highly price competitive. The finished product, although in some cases fairly standardised (simple patterns and colours), give wide scope for differentiation and high value-added work. It follows fashion to a great extend and, therefore, designs tend to vary from year to year. Furthermore, interested parties have mentioned the following as important in assessing competitiveness: quality, lead time, delivery reliability, rapidity of response (possibility to alter the product in the course of work), proximity to customers, service, as well as the possibility to finish small quantities of fabric.

It is on this basis that fabrics finished in the Community can generally be expected to maintain an advantage compared to imported finishing fabrics.

The market penetration of imports is very weak (around 10 % of total consumption in 1996), where so-called low-cost countries represent around 6 % and countries such as the United States of America, Switzerland and Japan represent around 4 %.

(339) The total amount of the product concerned processed by the Community finishing industry in 1996 amounted to around 533 000 tonnes.

(340) The consumption of finished fabrics in the Community in 1996 can be broken down as follows:

(in tonnes)

Community consumption of finished fabrics

	1995	1996	IIP
Consumption unbleached fabrics (captive and non-captive production and imports-exports)	508 305	533 008	517 331
Imports of finished fabrics (from countries concerned)	19 251	20 705	25 564
Imports of finished fabrics (from other third countries)	30 195	26 617	27 827
Exports finished fabrics	99 506	105 316	112 963
Consumption finished fabrics	458 245	475 014	457 759

(341) An examination of the Community finishing market in 1996 shows a low degree of penetration of imports from third countries. Indeed, imports of finished fabrics from the countries concerned amounted to around 4 %, the share of third countries being 6 %. Community finishers had a share of 90 % of the Community finishing market.

(342) Total employment in the finishing sector in 1996 has been estimated at around 134 000 employees [1]. Employment in the finishing sector corresponding to ≥ 85 % cotton fabrics of all origins has been estimated at around 27 000 employees. When considering this figure, account should be taken of the fact that imports from the countries under investigation constitute only 43 % of the raw material (unbleached cotton ≥ 85 %) used as an input by this sector.

(ii) Further analysis of data relating to Community finishers

(343) The analysis carried out in this section relates to the information provided by the interested parties who responded to the questionnaire sent by the Commission in order to verify specific aspects of the Community interest investigation.

— Commission finishers

(344) Turnover relating to the product concerned decreased by 3,1 % between 1995 and 1996, and increased by 15 % between 1996 and 1997, a period partially covered by the provisional anti-dumping measures.

The volume of fabrics processed by these commission finishers — expressed in metres — decreased by 6,7 % between 1995 and 1996 and increased by 7,3 % between 1996 and 1997.

The weighted average profitability of these companies decreased from 15 % in 1995 to 14 % in 1996.

Total employment represented by these companies decreased from 1 308 in 1995 to 1 234 in 1997.

— Non-commission (pure non-commission finishers and finishers integrated in making-up activities are included)

(345) The turnover of the finishing activities relating to the product concerned decreased by around 1,1 % between 1995 and 1996, from ECU 180 million to around ECU 178 million. Between 1996 and 1997 the turnover increased to around ECU 185 million, that is by around 4 %.

The amount of fabrics finished remained stable at around 12 900 tonnes between 1995 and 1997.

The trends of weighted average profitability found for these finishers between 1995 and 1996 were as follows: for pure finishers it decreased from around 8 % to around 5 %; for downstream integrated finishers profitability increased from 1,1 % to 2,3 %. It should be noted that profitability relates to total company return on sales and cannot be directly attributed to the product/activity concerned.

Total employment represented by these finishers decreased from 2 463 employees in 1995 to 2 339 employees in 1996 and to 2 219 employees in 1997.

(iii) Impact of the imposition of an anti-dumping measure

(346) The Commission has examined the increase in the prices of unbleached cotton fabrics further to the imposition of the past provisional measures.

The information submitted by the different co-operating interested parties shows that the price increase of imported unbleached cotton fabrics from all origins amounted to 5,6 % between 1996 and 1997, despite the fact that the amount of the duty provisionally imposed was on average around 15 %. For the calculation of the price increase, data submitted by one respondent was not used: it showed that, on average, prices of the unbleached cotton fabrics purchases by this company had decreased between 1996 and 1997 by 3,3 %; since this company purchased in 1996 around 87 % of the unbleached fabrics from Community sources, it was considered appropriate to exclude it from the calculation of the price increase.

During the same period the average prices of imports from other third countries as quoted by Eurostat decreased by around 1 %, whilst the prices practised by Community producers decreased on average by around 2 %. This contradicts the argument raised that, should anti-dumping duties be imposed, other third countries and European weavers would take the opportunity of increasing their own prices by the amount of the duty.

(347) In order to assess the effect of the imposition of anti-dumping measures on the price of finished fabrics, the Commission has analysed firstly the

[1] Source Euratex.

average cost increase of the unbleached cotton fabrics sold to the finishers and, secondly, the cost of the unbleached fabrics as a percentage of the total production cost of a finished fabric.

According to the responses to the Community interest questionnaire, it appears that between 1996 and 1997 the cost of unbleached imported cotton fabrics from the different origins increased by 5,6 %, the majority of which originated from the six countries concerned.

On average, unbleached cotton fabrics of all origins, sold to these finishers increased in price by 2,2 %. This contradicts the argument raised by certain parties that all the prices of unbleached cotton fabrics would increase by the amount of the anti-dumping duty imposed.

The same responses to the questionnaires show that the cost of unbleached fabric has an impact on the total cost of the finished fabric of between 16 % and 52 %, depending on the value added by the different finishing operations, the impact being 41 % on average.

A mechanical application of the two above mentioned would have resulted in an increase of the cost of the finished fabrics of 0,9 % (2,2 % multiplied by 41 %).

(348) The same responses from non-commission finishers show that prices of finished fabrics between 1996 and 1997, coinciding with the impositon of anti-dumping measures, increased by around 5,6 %. This increase in prices of finished fabrics has to be compared with a normal annual price increase in between 1 % to 2 %.

From the above mentioned elements it can safely be concluded that the increase in the price of the finished fabrics has been higher than the mechanical effect of the provisional anti-dumping duty on the cost of the unbleached cotton fabric and the normal annual price increase. This leads to the conclusion that the finishing sector has been able not only to pass the duty on to the next step of the chain, but also to increase its profit.

Indeed, the analysis of the average profit achieved by non-commission finishers on the product concerned show that, although it decreased from 7,4 % in 1995 to 6,1 % in 1996, profitability with respect to the product concerned increased between 1996 and 1997 from 6,1 % to 6,6 % on average.

(349) It can be concluded, firstly, that the full amount of the anti-dumping duty provisionally imposed was not passed on to makers-up through the cost of the finished fabric but, rather, that part of the duty was borne by the importers and that, as regards the proportion of the duty passed on to finishers, they not only passed on their share of the duty in full to makers-up, but in some instances increased prices still further. Thus, the provisional duties did not damage the ability of finishers to maintain or even to increase, their profit on the finished fabrics incorporating the product concerned.

(350) As to the impact of the past provisional measures on the situation of commission finishers, it has been argued that, if anti-dumping measures are imposed, imports of finished fabrics will increase, negatively affecting commission finishers by leading to a reduction of the volumes finished. This would in turn negatively affect the profitability, even risking the continuation of the activity.

Information provided by commission finishers shows that volumes finished decreased by 6 % between 1995 and 1996, and increased by 7,5 % during 1997, regaining the level of 1995.

The downturn in the volume processed suffered in 1996 appears to be due to the uncertainty created by the previous anti-dumping investigation rather than by the imports of finished fabrics. During 1996 imports of finished fabrics decreased by 4 %, when compared with 1995, and the volume processed by commission finishers also decreased by around 6 %. On the other hand, imports of finished fabrics increased during 1997 and the volumes finished by commission finishers also increased by 7 %.

(351) As seen above, since an anti-dumping duty imposed would not directly translate into a mechanical increase in the cost of the finished product and since the most important low-cost competitors of the Community are strictly limited by the quotas on finished fabrics, this shows that the risk of market penetration does not constitute an actual threat.

In this respect it should be mentioned that the penetration of the market by imports from third countries in the finished fabrics sectors is the lowest of the textile sectors, including captive and non-captive markets: yarn (25 %), unbleached fabrics (43 %), made-up goods (40 %), whereas the import penetration in the finished fabrics sector amounted to 10 %.

(iv) Conclusion

(352) On the basis of the information received, it has been observed that the impact of the measures on the sector does not lead the Commission to

confirm the allegations made by interested parties. Indeed, during 1997 commission finishers have been able to maintain the volume of fabrics finished despite a certain increase in the imports of finished fabrics. Secondly, non-commission finishers and coverters have been able to increase their prices beyond the mechanical effect of the increase in prices of unbleached fabrics imported from the countries concerned. This increase in prices has furthermore resulted in an increase in the profitability of the product concerned. It also appears that the risk of market penetration by imports of finished fabrics does not constitute an actual threat.

(b) *Importers-traders*

(i) Data relating to the representative importers-traders

(353) The importers-traders responding to the questionnaire on Community interest represent around 15 % of total import from the countries concerned, that is around 16 000 tonnes.

(354) Between 1995 and 1997 imports of unbleached cotton fabrics from the countries concerned represented 65 % and 67 % respectively of total imports of unbleached cotton fabrics from all sources. Imports from other third countries represented 36 % in 1995 and 33 % in 1997 of total imports from all sources. It appears, thus, that, contrary to some allegations made, importers have continued to source their needs of unbleached fabrics from the countries concerned.

(355) Sale prices of unbleached fabrics in the Community by these importers increased by around 9 % between 1996 and 1997. It appears, thus, that importers absorbed part of the amount of the duty.

(356) Total company profitability decreased from 5 % in 1995 to 4 % in 1996.

(ii) Conclusion

(357) Based on the experience of the previous period of application of provisional anti-dumping measures, it is provisionally concluded that if anti-dumping measures are imposed, importers will absorb part of the duty and will pass the rest to the next step of the chain, whether a converter or an independent finisher. In view of the possibility to pass on part of the duty and the mix of products imported from origins covered and not covered by a possible anti-dumping measure, it is considered that the possible impact of measures on importer-traders of the product concerned will not be such as to put their economic activity at risk.

(c) *Makers-up*

(i) Nature and structure of the industry

(358) Making-up is the stage where the finished fabric is transformed into a ready-made article, ranging from garments and household items to industrial items.

It is the stage where the highest value is added, ranging on average from around 25 % to 70 %.

Employment involved in the making-up of all cotton fabrics has been estimated at around 390 000 employees in 1996.

(ii) Effects on the imposition of anti-dumping measures

(359) Some parties have claimed that the imposition of anti-dumping duties on unbleached cotton fabrics from the countries concerned lead to an increase in the costs of the makers-up resulting in a loss of competitiveness *vis-à-vis* imports of ready-made articles.

(360) An examination of several cost calculations concerning different ready-made articles submitted by different interest parties shows that the ratio of the cost of the finished fabric in the sale price varies between 15 % and 45 %, being around 35 % on average. Even in the case of no absorption of any cost, prices would not be likely to increase over 2 % on average.

(361) Some parties have also claimed that the imposition of an anti-dumping duty on imports of unbleached fabrics will neatively affect makers-up, especially those in the household textile sector, since this sector is a heavy user of the product concerned for the making-up of articles such as bedding and furnishing fabrics and suffers from competition from imports from low-cost third countries.

(362) In this respect it is worth mentioning that one of the main household textile products — bed linen, estimated to represent around 30 % of the making-up using the product concerned — is currently subject to anti-dumping measures and, therefore, the competitive impact of imports from other third countries is relatively limited.

It is therefore provisionally concluded that the imposition of an anti-dumping duty will not significantly impact the economic situation of makers-up.

(d) *Consumers*

(363) The product under consideration is an intermediate product, that is not commonly sold at retail level. In particular, unbleached cotton is a raw material that undergoes a number of transformations before it is sold to the consumer. In order to assess the impact of anti-dumping measures on the consumer, it is appropriate to examine the effects of such measures on economic operators further up in the commercial chain. As shown above, the negative impact of measures on finishers and makers-up would not be significant. In particular, the price increase of the made-up product to the consumer is not expected to exceed the price increase for makers-up which was estimated to amount to about 2 % of the total cost of the made-up goods.

7. **Conclusions on Community interest**

(364) In order to appreciate all the interests at stake, as provided for in Article 21 of the Basic Regulation, the Commission examined all the arguments and questions raised by all interested parties in the course of the investigation.

The analysis has concentrated on the possible costs and benefits for the main sectors concerned by the proceeding: the Community producers, that is the weavers and the upstream industry, on the one hand, and the downstream industry, in particular the finishers, on the other hand.

(365) Community weavers appear to be viable and competitive, highly capital intensive, a substantial source of employment (even more so if considered together with the employment of the spinning sector that is directly linked to it). The sector is very exposed to international competition from low-cost countries; the average profitability is weak, even negative, putting at risk its survival in the absence of anti-dumping measures. If the industry disappears, it will have a negative impact not only on spinners but also on the cotton industry as a whole, including the downstream sector for which it constitutes a stable and convenient source of supply.

(366) As regards Community finishers, the Commission found that, globally, employment in the sector is of a comparable importance to that of the Community weaving industry.

(367) The sector is less exposed to imports from low-cost countries; by virtue of its comparative advantages such as design, quality, and adaptability to fashion its profitability is in general higher, since the commercial risks involved are also higher.

As regards the alleged risk of loss of market share due to the shift in imports to finished fabrics, it was found to be minimal, in view of the existence of quotas and limited capacities available in the third countries.

(368) The examination of the effects that the provisional measures had on Community weavers, just as the effect observed on the Community downstream industry, reflect a short term adaptation to market conditions. Community weavers have benefited from provisional measures and it appears that they have not increased their prices to the full extent of the anti-dumping duties imposed. It is possible that over the longer term, the imposition of measures would produce greater benefits for the Community industry (increase in capacity, decrease of averge costs, increase of profit).

As regards finishers, the example of the period when provisional measures were in place showed that the alleged impossibility to transfer the increase in costs to the further downstream industry did not materialise, and that the increase in the cost of the raw material was shared by the different steps of the chain. Prices of the unbleached fabrics from the countries concerned and from third countries did not increase to reflect fully the amount of the average anti-dumping duty imposed (15 %). However, if the provisional measures had been confirmed definitively, it is likely that certain negative effects on Community finishers could have been accentuated (increase in the export prices of the countries concerned and perhaps even a certain increase in the prices from third countries).

(369) Community spinners are highly dependent on Community weavers. Therefore, any benefit to the Community weavers will positively affect Community spinners.

(370) Concerning makers-up, the effect of any anti-dumping measure on them is diluted by their distance to the product concerned and the high value added in the making-up.

(371) In view of the abovementioned factors, the Commission has provisionally concluded that no compelling reasons have been found against the imposition of anti-dumping measures in the present proceeding.

H. **PROVISIONAL DUTY**

(372) In view of the provisional conclusion reached with regard to dumping, injury, causation and Community interest, provisional measures should be adopted in order to prevent further injury being caused to the Community industry by the dumped imports from the People's Republic of China, Egypt, India, Indonesia, Pakistan and Turkey.

(373) Given the wide variety of constructions from the six countries concerned, it is considered appropriate that the anti-dumping measure takes the form of an *ad valorem* anti-dumping duty.

(374) In establishing the level of the provisional duty, account has been taken of the dumping margins found and of the amount of the duty necessary to eliminate the injury sustained by the Community industry. Since the injury consists mainly of price and market share suppression, and in lack of profitability, the removal of injury would require that the Community producers be put in a position to increase prices to profitable levels, without reducing the sales volumes. In order to achieve this, the prices of the imports from the six countries concerned should be increased accordingly.

(375) In order to establish the level of the duty adequate to remove injury caused by dumping, it is first necessary to consider a reasonable minimum pre-tax profit required by the Community producers in order to remain competitive. It has been found that a profit margin of 8 % could be regarded as representing an appropriate minimum which the Community industry could reasonably be expected to make in the absence of injurious dumping, taking into account its need to make long-term investments.

(376) For the calculation of the injury threshold, that is price underselling, the weighted average profit shortfall of the sampled Community producers during the period of investigation together with the minimum pre-tax profit mentioned above was added to the Community producers sales price found. The weighted average injury margin found was then expressed as a percentage of the free-at-Community-frontier price CIF level.

(377) Where the margins of dumping found in respect of a particular exporting producer were below the corresponding increases in export prices necessary to remove the injury, as calculated above, the provisional duties imposed should be limited to the dumping margin established.

(378) The anti-dumping duty proposed for companies which cooperated but were not included in the sample is equivalent to the average dumping margin for the sample, weighted on the basis of export turnover to the Community, except for Turkey where the duty was based on the injury threshold, and except for Indonesia where the duty was based on the complaint.

(379) The anti-dumping duty for non-cooperating companies is based on the highest dumping margin calculated for a sampled company, except in the case of Turkey, where in view of the low level of cooperation, the highest representative dumped type of the exporter with the highest dumping margin was used.

I. FINAL PROVISIONS

(380) In accordance with Article 47(2) of the additional Protocol to the EC-Turkey Association Agreement, the Commission made an application to the EC-Turkey Association Council on 11 July 1997 because an anti-dumping proceeding against Turkish exporters had been initiated. Since no decision has been taken by the Association Council within the three-month period from the making of this application, the Commission is now applying provisional anti-dumping measures on imports of the product concerned originating in Turkey, in accordance with the above-mentioned provision and Article 7 of the Basic Regulation.

(381) In the interest of sound administration, periods should be fixed in which the parties concerned may make their views known in writing and request a hearing. Furthermore, it should be stated that all findings made for the purpose of this Regulation are provisional and may have to be reconsidered for the purpose of any definitive duty which the Commission may propose,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is hereby imposed on imports of unbleached cotton fabrics, falling within ex CN codes 5208 11 90 to 5208 19 and 5209 11 to 5209 19 (TARIC codes 5208 11 90 90, 5208 12 11 90, 5208 12 13 90, 5208 12 15 90, 5208 12 19 90, 5208 12 91 90, 5208 12 93 90, 5208 12 95 90, 5208 12 99 90, 5208 13 00 90, 5208 19 00 90, 5209 11 00 90, 5209 12 00 90, 5209 19 00 90) and originating in the People's Republic of China, India, Indonesia, Pakistan, Egypt and Turkey.

2. The rate of the provisional anti-dumping duty applicable to the CIF net, free-at-Community-frontier price, before duty, shall be as follows, for products originating in:

Country	Rate of duty	Taric additional code
The People's Republic of China	15,7 %	
Egypt	20,6 %	8900
India	16,9 %	8900
Indonesia	31,7 %	8900
Pakistan	32,5 %	8900
Turkey	14,3 %	8900

3. Notwithstanding paragraph 2, the producers/exporters listed in Annex I, shall be subject to the following rates of anti-dumping duty:

Country	Rate of duty	Taric additional code
Egypt	20,6 %	8908
India	13,2 %	8909
Indonesia	13,5 %	8910
Pakistan	19,2 %	8911
Turkey	10 %	8912

4. Notwithstanding paragraph 2, the companies listed below shall be subject to the following rates of anti-dumping duty:

Country: India	Rate of duty	Taric additional code
Century Textiles & Industries Limited	15 %	8913
Coats Viyella India Limited	10 %	8914
Vardhman Spinning & General Mills Limited	4,9 %	8915
Mafatlal Group (Mafatlal Industries Limited and Mafatlal Fine Spinning & Manufacturing Company Ltd)	5,9 %	8916

Country: Indonesia	Rate of duty	Taric additional code
Group Argo Pantes (PT Argo Pantes and PT Daya Manunggal)	31,7 %	8919
Apac Inti Corpora	19 %	8918
Eratex Djaja	29,7 %	8922

Country: Pakistan	Rate of duty	Taric additional code
Diamond Fabrics Ltd	15,6 %	8923
Nishat Mills Ltd	32,5 %	8928
Kohinoor Raiwind Mills Ltd	11,7 %	8925
Kohinoor Weaving Mills Ltd	11,7 %	8926

Country: Turkey	Rate of duty	Taric additional code
Teksmobili	0 %	8103
Birlik Mensucat	9,7 %	8104
Tureks	10,4 %	8105

5. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

6. The release for free circulation in the Community of the product referred to in paragraph 1 shall be subject to the provision of a security, equivalent to the amount of the provisional duty.

Article 2

1. Products classified under the CN codes mentioned in Article 1(1) and woven on looms operated exclusively by hand or foot are exempted from the duty imposed in Article 1 (TARIC codes 5208 11 90 10, 5208 12 11 10, 5208 12 13 10, 5208 12 15 10, 5208 12 19 10, 5208 12 91 10, 5208 12 93 10, 5208 12 95 10, 5208 12 99 10, 5208 13 00 10, 5208 19 00 10, 5209 11 00 10, 5209 12 00 10, 5209 19 00 10).

2. The exemptions referred to in paragraph 1 shall be granted only to products accompanied on their release for free circulation in the Community by either:

(a) a certificate from the competent authorities of the country of origin which conforms to the model attached as Annex II; or

(b) a certificate issued pursuant to Article 3 of Council Regulation (EC) No 3030/93 [1].

3. Certificates issued pursuant to paragraph 2(a) shall only be valid if the countries of origin have informed the Commission of the names and addresses of the govern-

[1] OJ L 275, 8. 11. 1993, p. 1.

mental authorities situated in their territory which are empowered to issue these certificates, together with specimens of stamps used by those authorities and the names and addresses of the relevant governmental authorities responsible for the control of the certificates. The stamps shall be valid as from the date of receipt of the specimens by the Commission.

4. Certificates issued pursuant to paragraph 2 shall only be valid if presented with options (a) and (c) in box 11 deleted and if they certify that the products concerned fulfil the description in option (b).

5. The appropriate provisions implementing the Community Customs Code, and notably the provisions concerning administrative cooperation contained in Articles 93, 93a and 94 of Commission Regulation (EEC) No 2454/93 [1], as amended in particular by Regulation (EC) No 12/97 [2], shall apply *mutatis mutandis*.

Article 3

Pursuant to Article 20(1) of Regulation (EC) No 384/96, the parties concerned may make their views known in writing and apply to be heard by the Commission within 15 days of the date of entry into force of the present Regulation.

Pursuant to Article 21(4) of Regulation (EC) No 384/96, the parties concerned may comment on the application of the present Regulation within one month of the date of its entry into force.

Article 4

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

This Regulation shall apply for a period of six months.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 7 April 1998.

For the Commission

Leon BRITTAN

Vice-President

[1] OJ L 253, 11. 10. 1993, p. 1.
[2] OJ L 9, 13. 1. 1997, p. 1.

ANNEX I

LIST OF COOPERATING COMPANIES

The People's Republic of China

All exporters

Egypt

All exporters

Indonesia

— PT Sandratex,
— Group Batik Keris (PT Batik Keris, PT Danliris, PT Catur Jantra),
— Group GKBI (Gabungan Koperasi Batik Indonesia, PT Primatexco),
— PT Bina Nusantara Prima,
— PT Batam Textile,
— PT Maha Mujur Textile,
— PT Five Star,
— PT Bintang Agung.

Pakistan

— Abdur rahman corporation,
— Abdyul rehman cor. kyc,
— Acme Mills Karachi,
— Ajaz Enterprise, Karachi,
— Al Rehmat traders,
— Al-Karam, Karachi,
— Ali ind Ltd,
— Arshad cor. kyc, Faisalabad,
— Arzoo international,
— Arzoo textile mills,
— Baak ind.,
— Bahrara fabrics fsd,
— Be be jan pakistan, Faisalabad,
— Bismillah tex.,
— Chawala enterprises,
— Chenab fabrics & pro,
— Cotton arts Ltd,
— Decent industries,
— Decent textiles, Faisalabad,
— Dowood textiles Ltd,
— Ehsan Fabrics Ltd, Lahore,
— Elahi enterprises Limited, Lahore,
— Elahi Spinning & weaving mills, Lahore,
— Em jay exports Ltd,
— En em industries Ltd,
— Fazal abdullah export,
— Five star textile ind.,
— Gohar enterprises,
— Gohar international,
— Gulistan Weaving Mills Ltd,
— Gulsham weaving mills Ltd, Lahore,
— ICC textiles Limited, Lahore,
— Ihsan yousaf textiles,
— Imran textile,
— Ishaq textile mills, Faisalabad,
— JK brothers Ltd,
— JK Exports, Faisalabad,
— JK Sons Ltd, Faisalabad,
— JMS trading co kyc,
— Kohinoor calico mill kyc,
— Kohinoor Fabrics Limited,
— Latif hansel kyc,
— Mahboob amin,
— Mahmood textile mills Limited, Multan,
— Majeeda textile Ltd,
— Master textile mills Limited, Lahore,
— Megatex Limited,
— Mian Textile, Lahore,
— MK sons Ltd,
— Mohammad Farooq Textile Mills Ltd, Karachi,
— MSC Textiles, Faisalabad,
— Mughanum Ltd,
— Mutual trading corporation, Karachi,
— Mutual trading group,
— Nakshbandi industries Limited, Karachi,
— Nash garments, Karachi,
— Nash textiles, Karachi,
— Naveed Agencies, Karachi,
— Naveed tex; ind,
— Nishitex enterprises,
— Paradise textile,
— Parsons Limited Industries Ltd,
— Prime Weaving Factory, Karachi,
— Qayyum rashid textiles,
— Regency textiles Ltd, Lahore,
— Roomi enterprise Limited, Karachi,
— Saba textiles Limited, Karachi,
— Samin textiles Limited, Lahore,
— Samira Fabrics, Karachi,
— Saquib fabrics,
— Saya weaving mills Ltd, Karachi,
— Sayeeda syndicates kyc,
— Service fabrics Limited,
— Shahzad siddique Faisalabad,
— Shams textile cor.,
— Shams textile mills Ltd, Karachi,
— Sharif tex. ind,
— Sna tex.,
— Suraj Cotton Mills Ltd, Lahore,
— Syncotex agencies kyc,
— Taha Garments Limited, Karachi,
— Tanveer weavings Ltd, Lahore,
— Tariq enterprises,
— Tex-arts,

— Texto print mills (pvt),
— The Crescent textile mills Ltd, Faisalabad,
— Tradex,
— Worldover enterprises Ltd, Karachi,
— Xebec tex,
— ZA international,
— Zahidjee brothers,
— Zahidjee fabrics,
— Zam Zam weaving & proc.

Turkey

— Isko Tekstil Sanayi ve Ticaret A S,
— GAP — Güneydogu Tekstil Sanayi ve Ticaret A S,
— Kipas — Kahramanmaras Iplik Pamuk Ticaret ve Sanayi A S,
— Tac Sanayive,
— Isko.

India

— A S Marimuthu, Rajapalayam,
— Anglo French Textiles, Pondicherry,
— Anudeep Enterprises Pvt. Ltd, Mumbai,
— Art Leather Limited, Mumbai,
— Arumuga Textile Exporters, Chatrapatti,
— Arun Textiles, Rajapalayam,
— Aryan Finefab Ltd M/S, Mumbai,
— Atlas Export Enterprises, Karur,
— Auroville Exports Trust M/S, Auroville,
— Ayyappan Textiles Limited, Madurai,
— B K S Mills, Coimbatore,
— B N Sardar & Sons, Calcutta,
— Bharat Vijay Mills, Kalol,
— Bhiwani Denim & Apparels Limited M/S, Haryana,
— Blue Bull Textiles, Tirupur,
— Bojaraj Textile Mills Ltd, Madurai,
— Bonanza Overseas Pvt. Ltd,
— Chhaganlal Kasturchand & Co. Ltd, Mumbai,
— Chiranjilal Choudhary & Sons, Delhi,
— Classic Connections, Bombay,
— CLC Corporation, Delhi,
— D V Textiles M/S, Mumbai,
— Dhanalaksmi Weaving Works, Cannanore,
— Durga Textiles, Tirupur,
— Emperor Trading Company, Tirupur,
— Emti Exports Ltd, Mumbai,
— Esskay International M/S, Bombay,
— Forbes Gokak Ltd, Mumbai,
— GR Mani Textiles, Chatrapatti,
— GD JD Exports, Chennai,
— Ginni International Ltd, New Delhi,
— Gokul Fabrics, Madras,
— Govindji Trikamdas & Co. M/S, Mumbai,
— Govindji Trikamdas Exports Ltd, Mumbai,
— Group Ashima Texcellence (Ashima Fabrics, Ashima Denims, Ashima Syntex Limited), Ahmedabad,
— Guru Nanak Exports, Gurgaon,
— IA Intercontinental, Madras,
— Ideal Expo Fabrics Limited, Salem,
— Inter Globe Services, Mumbai,
— JCT Limited, Mumbai,
— Jindal (India), Ahmedabad,
— Jindal Worldwide Ltd, Ambawadi,
— Jyoti Overseas Limited, Indori,
— Kanakalakshmi Mills (P) Ltd, Coimbatore,
— Kanoria Chemicals & Industries Limited, Ahmedabad,
— Keshavlal Talakchand M/S, Bombay,
— Kitex Exports Limited, Cochin,
— Lakshmi Apparels and Wovens Limited, Coimbatore,
— Lotus Mills M/S, Tirupur,
— Loyal Textile Mills Limited, Tamil Nadu,
— M S Mathivanan M/S, Komarapalayam,
— M U A Arumugaperumal & Sons, Chatrapatti,
— Mahavashtra state textile corporation Ltd, Mumbai,
— Morarjee Goculdas Spg. & Wvg. Co. Ltd, Bombay,
— N W Exports Limited, Mumbai,
— Naatchiar Textile Exporters, Chatrapatti,
— Nahar Fabrics Limited, Ludhiana,
— National Textile Corporation Limited, New Delhi,
— Navnitlal & Co., Mumbai,
— Niyati Overseas, Coimbatore,
— Nowrosjee Wadia & Sons Ltd, Mumbai,
— P A P Exports, Karur,
— Pankaj Trading Co. M/S, Bombay,
— Parag Trading Corporation, Mumbai,
— Pasupati Fabrics Limited, New Delhi,
— Patodia Syntex Ltd, Bombay,
— Piramal Sons Ltd, Mumbai,
— Piramal Spg. & Wvg. Mills Limited, Mumbai,
— Pothys Cotton Products Pvt. Ltd, Srivilliputtur,
— Pradeep Investments Pvt. Ltd, Mumbai,
— Prakash Cotton Mills Ltd, Mumbai,
— Prathishta Weaving & Knitting Company Limited, Coimbatore,
— Preemier Textile, Tirupur,
— Preeti Impex, Salem,
— Premier Enterprises, Chatrapatti,
— Premier Mills Limited, Coimbatore,
— Premier Textile Exporters M/S, Chatrapatti,
— Pushpsons Industries Ltd, New Delhi,
— Ram Textiles M/s, Karur,
— Rama Qualitex Limited, Bangalore,
— Rite Exports, New Delhi,
— S D Enterprises, Mumbai,
— Sabare International, Karur,
— Sajjan Textiles Mills Limited M/S, Mumbai,
— Sajjan Udyog Export Limited M/S, Mumbai,
— Sambandam Exports, Tirupur,
— Sap Chemical Industries Pvt. Ltd, Mumbai,
— Sathya Textiles, Tirupur,
— Senthill textiles, Tirupur,
— Shanker Kapda Niryat Pvt. Ltd, Baroda,
— Shanudeep Private Limited, Mumbai,
— Sheth Exports M/S, Bombay,
— Sheth Investments & Trading Co. Ltd M/S, Bombay,
— Shri Vishnu Fabrics, Tamil Nadu,
— Sigma Exports, Mumbai,
— Sitalakshmi Mills Limited, Madurai,
— Sivakkumar Mills, Palladam,
— Sivam Fabrics, Tirupur,

— Sky International, Tirupur,
— SMT Exports, Tirupur,
— Sohanlal Balkrishna Export M/S, Bombay,
— Sree Rangsan Textiles, Komarapalayam,
— Sri Balaji Fabric, Tirupur,
— Sri Dhavamani Textiles, Erode,
— Sri Rajasekar Textiles, Chatrapatti,
— Sri Rani Lakshmi Gng. Spg. & Wvg. Mills Ltd, Madurai,
— Sri Saravanaa Exports Company, Rajapalayam,
— Sri Sarita Synthetics Ltd, Hyderabad,
— Sri Vasavi Impex (P) Ltd, Hyderabad,
— Srinavasa Textiles, Chatrapatti,
— Standard Industries Limited, Mumbai,
— Sudha Mills M/S, Mumbai,
— Sun Enterprises M/S, Mumbai,
— Supreme Bandages, Chatrapatti,
— Suresh & Company, Bombay,
— Suruthi Fabricss, Madurai,
— Surya Cotton Fabrics, Tirupur,
— Tamarai Mills Ltd, Coimbatore,
— The Arvind Mills Limited, Ahmedabad,
— The Bombay Dyeing & Mfg. Co. Ltd, Mumbai,
— The Hindoostan Spg. & Wvg. Mills Ltd, Mumbai,
— The Lakshmi Mills Company Limited, Coimbatore,
— The Ruby Mills Ltd, Mumbai,
— The Western India Cottons Ltd, Pappinisseri,
— Trend Setters, Mumbai,
— Trident Textile Mills Ltd, Chennai,
— V & K Associates, Bombay,
— Vadivel Sizing & Weaving Mills Pvt. Ltd, Tirupur,
— Varadhalakshmi Mills Limited, Madurai,
— Velraj Exporters Private Ltd, Coimbatore,
— Vijayeswari Textiles Limited, Coimbatore,
— Vrindavan Overseas, Hathras,
— VTC Industries Limited, Mumbai,
— Wisdom Fabrics, Palladam,
— World-Tex Limited, Noida,
— Yarn Syndicat Limited, Calcutta.

1 Exporter (name, full address, country) Exportateur (nom, adresse complète, pays)	**ORIGINAL**	2 No
	CERTIFICATE in regard to HANDLOOMS, TEXTILE HANDICRAFTS and TRADITIONAL TEXTILE PRODUCTS, OF THE COTTAGE INDUSTRY, issued in conformity with and under the conditions regulating trade in textile products with the European Community **CERTIFICAT relatif aux TISSUS TISSÉS SUR MÉTIERS À MAIN, aux PRODUITS TEXTILES FAITS À LA MAIN et aux PRODUITS TEXTILES RELEVANT DU FOLKLORE TRADITIONNEL, DE FABRICATION ARTISANALE, délivré en conformité avec et sous les conditions régissant les échanges de produits textiles avec la Communauté européenne**	
3 Consignee (name, full address, country) Destinataire (nom, adresse complète, pays)	4 Country of origin Pays d'origine	5 Country of destination Pays de destination
6 Place and date of shipment — Means of transport Lieu et date d'embarquement — Moyen de transport	7 Supplementary details Données supplémentaires	

8 Marks and numbers — Number and kind of packages — DESCRIPTION OF GOODS Marques et numéros — Nombre et nature des colis — DÉSIGNATION DES MARCHANDISES	9 Quantity Quantité	10 FOB Value (1) Valeur fob (1)

11 CERTIFICATION BY THE COMPETENT AUTHORITY — VISA DE L'AUTORITÉ COMPÉTENTE

I, the undersigned, certify that the consignment described above includes only the following textile products of the cottage industry of the country shown in box No 4:

a) fabrics woven on looms operated solely by hand or foot (handlooms) (2)

b) garments or other textile articles obtained manually from the fabrics described under a) and sewn solely by hand without the aid of any machine (handicrafts) (2)

c) traditional folklore handicraft textile products made by hand, as defined in the list agreed between the European Community and the country shown in box No 4.

Je soussigné certifie que l'envoi décrit ci-dessus contient exclusivement les produits textiles suivants relevant de la fabrication artisanale du pays figurant dans la case 4:

a) tissus tissés sur des métiers actionnés à la main ou au pied *(handlooms)* (2)

b) vêtements ou autres articles textiles obtenus manuellement à partir de tissus décrits sous a) et cousus uniquement à la main sans l'aide d'une machine *(handicrafts)* (2)

c) produits textiles relevant du folklore traditionnel fabriqués à la main, comme définis dans la liste convenue entre la Communauté européenne et le pays indiqué dans la case 4.

12 Competent authority (name, full address, country) Autorité compétente (nom, adresse complète, pays)	At — À ....., on — le..... ..... (Signature) (Stamp — Cachet)

(1) In the currency of the sale contract. — Dans la monnaie du contrat de vente.
(2) Delete as appropriate. — Biffer la (les) mention(s) inutile(s).