UNITED STATES INTERNATIONAL TRADE COMMISSION

TAPERED ROLLER BEARINGS AND CERTAIN COMPONENTS THEREOF FROM JAPAN

Determination of Likelihood of Injury
in Investigation No. AA1921-143
Under the Antidumping Act, 1921, as Amended

ITC Publication 714
Washington, D.C.
January 1975

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
Italo H. Ablondi
Daniel Minchew

Kenneth R. Mason, Secretary to the Commission

Address all communications to
United States International Trade Commission
Washington, D.C. 20436

United States International Trade Commission
Washington, D.C.

[AA1921-143] January 23, 1975

TAPERED ROLLER BEARINGS AND CERTAIN COMPONENTS THEREOF FROM JAPAN

Determination of Likelihood of Injury

The U.S. International Trade Commission (formerly the U.S. Tariff Commission) on September 4, 1974, received advice from the Treasury Department that tapered roller bearings from Japan are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. In accordance with the requirements of section 201(a) of the act (19 U.S.C. 160(a)), the Commission, on September 11, 1974, instituted investigation No. AA1921-142 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

On October 23, 1974, the Commission received advice from the Treasury Department amending the advice it had received on September 4, 1974. The new advice described the articles subject to Treasury's determination of sales at less than fair value as tapered roller bearings, including inner race or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately. On October 24, 1974, the Commission terminated investigation No. AA1921-142 and instituted a new investigation (No. AA1921-143) to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation into the United States, from Japan, of the articles described in Treasury's amended advice to the Commission.

Notice of the institution of investigation No. AA1921-143 and of a public hearing to be held in connection therewith was published in the Federal Register of October 29, 1974 (39 F.R. 38134). The hearing was held December 3-6, 1974.

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

On the basis of its investigation, the Commission has determined by a vote of 4 to 2, 1/ that an industry in the United States is likely to be injured by reason of the importation of tapered roller bearings, including inner race or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately, from Japan, that are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Chairman Bedell, Vice Chairman Parker, and Commissioners Moore and Ablondi determined in the affirmative with respect to likelihood of injury. Commissioners Leonard and Minchew determined in the negative.

Statement of Reasons for Likelihood of Injury Determination by Chairman Bedell, Commissioner Moore, and Commissioner Ablondi 1/

The Antidumping Act, 1921, as amended, requires that the U.S. International Trade Commission find two conditions satisfied before an affirmative determination can be made.

First, there must be injury or likelihood of injury to an industry in the United States. Second, such injury or likelihood of injury must be by reason of the importation into the United States of the class or kind of foreign merchandise which the Secretary of the Treasury has determined is being, or is likely to be, sold at less than fair value (LTFV).

In our judgment, both of the aforementioned conditions are satisfied. Accordingly, for the reasons set forth below, we have made an affirmative determination that an industry in the United States is likely to be injured by reason of the importation of tapered roller bearings, including inner race or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately, from Japan, that are being, or are likely to be, sold at LTFV. 2/

1/ Vice Chairman Parker concurs in the result.

2/ Commissioner Ablondi agrees that an industry in the United States is likely to be injured by reason of the importation and sale at less than fair value of Japanese tapered roller bearings.
He concludes, however, that the importation of tapered roller bearings in small volume from Japan by Toyota Motor Sales, U.S.A., Inc., for exclusive use by Toyota distributors does not contribute to the threat of injury. Such bearings, which are predominantly of special design, are imported into the United States by Toyota solely for use as replacement parts in Toyota motor vehicles. Neither Toyota Motor nor its parent company nor the small manufacturer in Japan from whom a majority of the tapered roller bearings were purchased were investigated in the course 3
of the Treasury Department's proceedings. Accordingly, Commissioner Ablondi would exclude from the affirmative finding the importation of tapered roller bearings by Toyota Motor for replacement use in Toyota motor vehicles.

In making this determination under section 201(a) of the Antidumping Act of 1921, as amended, we considered the industry likely to be injured to consist of those companies in the United States producing tapered roller bearings. This industry presently includes 9 firms with 17 plants located in 9 States. A substantial part of the U.S. producers' annual sales consist of high-volume tapered roller bearings which directly compete with the 37 percent of tapered roller bearings imported from Japan which are sold in the domestic market at LTFV. These LTFV bearings, as well as the great bulk of imports from Japan, are 4 inches or less in outside diameter and constitute an important sales market for domestically produced tapered roller bearings.

Japanese imports of all types of tapered roller bearings and components thereof increased from about 7 percent of domestic open-market consumption in 1970 to almost 12 percent in 1973, the year in which LTFV sales were found by the Treasury Department. During January-August 1974 the ratio of imports from Japan to domestic open-market consumption was more than 14 percent. The Treasury Department determined that four cups and four cone assemblies (with outside diameters of 4 inches or less) for use in tapered roller bearings, whether sold separately or as a unit, are being, or are likely to be, sold at less than fair value. Imports of these LTFV items increased from about 30 percent of U.S. open-market consumption for these particular items in 1970 to about 42 percent in 1973. Ninety percent of the total value of U.S. sales of those items by the Japanese importers were sold at LTFV margins.

Market penetration by Japanese imports increased substantially in almost all original-equipment markets. By 1973, imports from Japan supplied 73 percent of the U.S. recreational-vehicle market, 23 percent of the U.S. truck-trailer market, 19 percent of the domestic-conveyor market, and 11 percent of the agricultural-machinery market. The bulk of the imports from Japan supplying those markets are the four LTFV items.

LTFV imports from Japan sold to the U.S. automobile industry, while relatively small, increased tenfold from 1971 to 1973. This year, contracts for delivery of such tapered roller bearings by Japanese importers to a domestic automobile manufacturer were substantially larger than in past years.

In recent years, unit prices of LTFV bearings from Japan were generally lower than U.S. prices for comparable bearings. The LTFV margins were a material factor in the margin of underselling by the Japanese. Had it not been for the LTFV margins, the imported bearings would not have had a significant price advantage in 1973 and 1974, and the domestic bearings would have been more competitive in the domestic marketplace. For example, in August 1974, virtually the entire difference between the average U.S. prices and the prices of the imported LTFV bearings was accounted for by the LTFV margins.

The financial condition of the U.S. tapered-roller-bearing industry has deteriorated since LTFV sales began. Two U.S. firms suffered severe financial losses during 1973 and 1974. One large producer in the industry experienced a lower profit ratio during July-December 1973 5
than it did during the entire year of 1973. Its profit ratio continued to decline during January-August 1974. Producers' profits on the LTFV

items generally declined from 1972 to 1973. Because of the intense competition from LTFV imports in 1973 and 1974, U.S. producers have been unable to increase their prices commensurate with the rate of price increase in other U.S. durable industries.

Almost two-thirds of all tapered roller bearings consumed in the United States are used in the automotive and automotive-related industries. Since September 1974, lead times and order backlogs for bearings have declined sharply as production in the automotive industry has seriously declined. This is true for automotive-size bearings, particularly the LTFV bearings. Lead times for automotive bearings are currently 13 weeks or less, and often they are now supplied from inventory. We believe lead times will continue to decline. As a result of the weakness in the domestic market for automotive bearings, U.S. production, which declined by about 10 percent in 1974, is expected to decline more rapidly in 1975. This lessening demand for tapered roller bearings in 1975 will create substantial inventories and excess capacity in the U.S. industry, with prices playing the major role in future sales.

Japanese producers of the LTFV tapered roller bearings are large concerns which possess the requisite capital and capability to further expand into the U.S. market, which has been and continues to be its most attractive market.

Based on the foregoing, we conclude that the U.S. tapered-roller-bearing industry is likely to be injured by reason of LTFV imports from Japan. Therefore, we have made an affirmative determination.

Statement of Reasons for Negative Determination
of Commissioner Leonard

Background

Investigation No. AA1921-142 was instituted September 11, 1974, on the basis of advice of September 4, 1974, from the Department of the Treasury that tapered roller bearings from Japan are being, or are likely to be, sold in the United States or elsewhere at less than fair value (LTFV). Under section 201(a) of the Antidumping Act, 1921, as amended, the Commission must determine within 3 months from the time of the determination of Treasury whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

On October 23, 1974, the Commission was advised by letter from Assistant Secretary of the Treasury David R. Macdonald of a "clarification" with respect to Treasury's September 4 LTFV determination on tapered roller bearings from Japan. Assistant Secretary Macdonald's letter and an enclosed notice published in the Federal Register of October 29, 1974, both termed the October 23 advice as being a clarification of the September 4 determination. The letter and notice stated in effect that the September 4 Treasury determination was meant to include certain components of tapered roller bearings, specifically "inner races or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately." 1/

1/ The text of Mr. Macdonald's letter received by the Commission on October 23, 1974, and the notice published in the Federal Register are attached to this statement.

However, the Commission decided not to treat the October 23 letter and notice as a clarification of the September 4 Treasury determination but rather as an amendment by Treasury of its previous advice or in effect as a new determination by Treasury. Thus, the Commission on October 24, 1974, terminated investigation No. AA1921-142 without a determination and instituted a new investigation, No. AA1921-143, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of tapered roller bearings, including inner race or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately, from Japan, which are being, or are likely to be, sold at less than fair value.

<u>Threshold questions</u>

Questions can be raised whether the Commission can terminate without a determination an investigation under the Antidumping Act and whether it can institute a new investigation based, according to the Treasury advice, not on a new determination of sales at less than fair value but rather on a clarification of a previous determination of sales at less than fair value. Further, if Treasury did not make a new determination on October 23 but merely clarified its September 4 determination, is it not required of the Commission to make its determination with respect to injury within 3 months of September 4, 1974, or by December 4, 1974? A majority of the Commission has concluded otherwise; ergo, this January 23 report of its determination in investigation No. AA1921-143.

Negative determination

My determination in this investigation is in the negative; that is, an industry in the United States is not being or is not likely to be injured, or is not prevented from being established,[2/] by reason of the importation into the United States from Japan of tapered roller bearings, including inner race or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately, sold or likely to be sold at less than fair value.

Statutory Criteria

Before an affirmative determination can be made under the Antidumping Act, 1921, as amended, each of two conditions must be fulfilled. First, there must be injury or a likelihood of injury to an industry in the United States. Second, the injury or likelihood of injury to an industry in the United States must be by reason of the importation into the United States of merchandise which Treasury determines is being, or is likely to be, sold at LTFV. In the instant investigation, while there is little, if any, evidence of the first condition being satisfied, that is, of there being injury or likelihood of injury, in any event, the second condition is not met, that is, any injury or likelihood thereof that is conjured up cannot be linked causally to imports sold or likely to be sold at less than fair value.

Industry and market

In looking at the question of injury, I have concentrated on that industry--the U. S. facilities devoted to the production of the

2/ Prevention of establishment of an industry is not an issue in this investigation and will not be treated further in this statement.

articles covered by the notice of investigation--and the U. S. market--the market for 4-inch and under tapered roller bearings, particularly for the high volume, eight part numbers found by Treasury to have been sold at less than fair value--where the impact of the LTFV merchandise was likely to be the heaviest.

Injury

With regard to the first statutory criterion enumerated above, I find scant evidence of injury to the affected industry, even in the most relevant market. Domestic producers' aggregate shipments increased each year during the period 1970-73, which encompassed the period during which Treasury found LTFV sales--July-December 1973. By 1972 the domestic industry was operating at nearly full capacity; in that year shortages of bearings began to develop in the United States and throughout the world. During the next two years, which included the dumping period, the bearing shortage was so acute in this market that lead times quoted by domestic suppliers increased to as long as 104 weeks. Domestic producers' exports as a share of their production increased during those years, which exacerbated the shortage in the United States. In many cases domestic suppliers had to decline offers for new business.

Throughout this period the prices of both domestic and Japanese bearings increased; however, the spread between the comparable domestic and Japanese articles continually narrowed as the prices of Japanese bearings rose at a more rapid rate. Finally, Timken, the dominant domestic supplier, experienced handsome profits throughout the period reviewed. All of the foregoing indicators suggest to me that the overall condition of the industry during that period was extremely healthy.

Likelihood of injury

In spite of the recent downturn in the United States economy, it does not follow that the domestic tapered roller bearing industry is likely to be injured. Although domestic suppliers' lead times have declined significantly, there still remains a considerable backlog of orders for non-automotive bearings. Furthermore, with the knowledge that both the domestic and Japanese bearing industries are continuing to operate at nearly full capacity, it seems logical that the affected domestic industry is not likely to be injured in the foreseeable future. Thus, most of the signposts usually available to indicate injury or likelihood of injury in an antidumping investigation are not present here. Rather the indicators generally point to a healthy industry.

The missing causation

There are, however, some indicators of injury the Commission often examines which cannot be dismissed quickly here. Specifically, such indicators are suppression of prices, import penetration, reduced profits and failure to add new production facilities to meet a growing demand. While a case may be made, albeit a weak one, that the injury criterion has been satisfied because of the presence of one or more of those indicators, the second statutory criterion is clearly not met for any of those indicators. In other words, any injury to the domestic tapered roller bearing industry measured by suppressed prices, import penetration, reduced profits or inability to augment capacity is not by reason of the LTFV imports from Japan. To find the requisite causation, the LTFV imports must be an identifiable cause of the injury.[3/] The evidence here does not permit such an identification.

Suppression of prices

It can be asserted that the domestic industry has not been able to increase its prices as much as they should have been increased to cover adequately increased costs. That is the essence of the argument that price suppression is an indicator of injury. But if that indicator is present here, it cannot be said to be by reason of the LTFV imports from Japan. The LTFV imports could be termed a cause of price suppression if it were clear that there were smaller price increases on those articles directly competitive with LTFV imports than the price increases on articles that directly competed with non-LTFV imports. There is no such evidence. The price increases on all of the high volume under 4-inch U. S. tapered roller bearings were approximately the same regardless of whether the bearings competed directly with the LTFV Japanese imports or not and so the LTFV imports cannot be identified as a cause of any suppression of U. S. prices.

Import Penetration

The Commission almost without exception looks at the penetration of the U. S. market by the LTFV imports in attempting to assess injury. A significant share of consumption taken by LTFV imports is not

3/ Elemental Sulphur from Mexico, U. S. Tariff Commission Inv. No. AA1921-92 (1972).

sufficient for me, however. It must be shown that the penetration by the LTFV imports was at the expense of the domestic industry. Here, that is not the situation. The domestic industry at the time of the LTFV imports was selling everything it could produce. The increased share of the market taken by LTFV imports was due to increased consumption. The domestic industry could not satisfy the demand and the Japanese importers captured the excess demand. They did not cause any reduction in sales by the domestic industry. Thus, the import penetration in the instant case is not one signifying injury to the domestic industry and whatever penetration exists is certainly not by reason of LTFV imports.

Reduced profits

The declining profit posture of two of the producers cannot be related to sales at LTFV. Those producers' inability to realize a normal return on their sales of tapered roller bearings has been more the result of their competitive disadvantage against Timken, the dominant domestic supplier, than a result of imports of tapered roller bearings. Moreover, the absence of any distinguishable difference in the pricing behavior between sales of Japanese bearings at fair value and those at LTFV leads to the conclusion that the financial difficulties faced by those domestic producers cannot be tied to LTFV sales. That is, because there is no distinguishable difference between the price effects of LTFV bearings and of those not sold at LTFV, it cannot be concluded that the adverse financial condition experienced by those two producers was by reason of sales at LTFV.

Failure to expand productive capacity

It can always be argued that an industry intends to expand its capacity, but to sustain such an argument, there must be hard evidence of an imminent intention to expand capacity, not just a gleam in the eye of an optimistic corporate executive. If there were specific plans, concrete proposals, recorded decisions of constituent parts of an industry to expand facilities, to increase capacity, which then had to be postponed or cancelled because of Japanese less than fair value imports, that would be one thing. Hard evidence is not a pious platitude on the desire to expand. What is revealed as a result of the investigation is that the Japanese have played an important role in supplying this market during a period of shortages of bearings. Despite the growth in demand for bearings the domestic industry has not expanded its production capacity to meet that demand.

The missing likelihood link

Just as the concept of "present injury" must in some way be connected to LTFV sales, so too must the concept of "likelihood of injury" be tied to the LTFV sales. Just as the evidence fails to provide the causal connection for present injury, so too is there no evidence to link likelihood of injury to LTFV sales.

The past history of pricing by the Japanese in this market suggests that any future LTFV sales from Japan will be purely an attempt to meet the level of prices in the U. S. market and therefore not injurious. The fact that the Japanese have been long-term suppliers to many United States purchasers is an indication of their stake in this market and concommitant unwillingness to sell at LTFV in the future. The Japanese interest in maintaining stability in this market is evidenced by the investment of at least one Japanese supplier in United States facilities for the production of tapered roller bearings and the investment of several Japanese suppliers in domestic facilities for the production of ball bearings. Under such circumstances it is not realistic to predicate any likelihood of injury upon future LTFV sales by the Japanese.

Conclusion

Based upon the considerations discussed in the foregoing, it must be concluded that a domestic industry is not being or is not likely to be injured by reason of imports of Japanese tapered roller bearings, including inner race or cone assemblies and outer races or cups, sold or likely to be sold at LTFV.

DEPARTMENT OF THE TREASURY RECEIVED
WASHINGTON, D.C. 20220

'74 OCT 23 PM 1:04

ASSISTANT SECRETARY

OFFICE OF THE SECRETARY
U.S. TARIFF COMMISSION

Dear Madam Chairman:

On September 4, 1974, you were advised that tapered roller bearings from Japan are being or are likely to be sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended. Enclosed is a copy of a clarification to be published with respect to that determination.

The notice indicates that the Treasury investigation was based upon verified information and data submitted with regard to tapered roller bearings, including inner races or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately. The definition of "tapered roller bearings" was therefore meant to include and continues to include the merchandise as set forth in the preceding sentence.

This information was conveyed to the Tariff Commission staff in a meeting with Treasury and Customs representatives on October 9. We hope the publication of this clarification will enhance your ongoing investigation.

Sincerely yours,

David R. Macdonald
Assistant Secretary
(Enforcement, Operations
and Tariff Affairs)

The Honorable
Catherine May Bedell, Chairman
United States Tariff Commission
Washington, D.C. 20436

Enclosure

APP-2-04-O:D:T MF

DEPARTMENT OF THE TREASURY

Office of the Secretary

TAPERED ROLLER BEARINGS FROM JAPAN

ANTIDUMPING

CLARIFICATION OF DETERMINATION OF SALES AT LESS THAN FAIR VALUE

Definition of the Term "Tapered Roller Bearings"

A notice of "Determination of Sales at Less than Fair Value" was published in the Federal Register of September 6, 1974 (39 F.R. 32337, F.R. Doc. 74-20686) advising that tapered roller bearings from Japan are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

That determination was the result of price comparisons based upon verified information and data submitted throughout the period of investigation with regard to tapered roller bearings, including inner races or cone assemblies and outer races or cups, exported to and sold in the United States, either as a unit or separately, with identical merchandise sold in Japan. These comparisons enabled the Secretary of the Treasury to determine the fact or likelihood of sales at less than fair value.

Therefore, the term "tapered roller bearings" as published in the "Determination of Sales at Less than Fair Value" on September 6, 1974 was meant to include and continues to include tapered roller bearings, including inner races or cone assemblies and outer races or cups, either sold as a unit or separately.

David R. Macdonald
Assistant Secretary of the Treasury

Statement of Reasons for Negative Determination
of Commissioner Minchew

In the investigation of Tapered Roller Bearings from Japan, AA1921-143, I have made a negative determination because I feel that all parts of the statutory criteria which would be necessary for an affirmative finding are not met.

Section 201(a) of the Antidumping Act of 1921 states--

> (a) Whenever the Secretary of the Treasury (hereinafter called the "Secretary") determines that a class or kind of foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value, he shall so advise the United States Tariff Commission, and the said Commission shall determine within three months thereafter whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. . . .

The "foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value" (LFTV) portion of the statute was established by the U.S. Treasury Department with respect to tapered roller bearings from Japan for the period July-December 1973. The U.S. Tariff Commission (now the U.S. International Trade Commission) received advice to this effect from the U.S. Treasury Department on September 4, 1974, and the Commission instituted investigation No. AA1921-142 on September 11, 1974. On October 23, 1974, the Commission received an additional communication from the U.S. Treasury Department which served as the basis for terminating investigation No. AA1921-142. On October 24, 1974, the Commission instituted a new investigation, AA1921-143, on the basis of the aforementioned clarification from the U.S. Treasury Department. 1/

The "is being or is likely to be injured" part of the statute is not met, in my opinion, because what I would consider normal tests for injury are not met. The domestic tapered roller bearing industry (domestic industry) was operating at near capacity and was unable to meet increased demands which existed in the U.S. market in that period. The domestic industry experienced increased sales in every year from 1970 to 1973, which encompasses the dumping period. The domestic industry increased its prices consistently throughout the period 1970 to 1973. In addition, the export sales of the domestic industry as a proportion of total sales increased during 1973. For me, it is not possible to establish that an industry which has the above-mentioned characteristics is being or is likely to be injured by reason of imports sold at LTFV.

The "by reason of the importation of such merchandise" section of the statute, at this point in my determination, does not have to be considered because I have not found injury or the likelihood of injury. However, had injury or the likelihood of injury been found, I do not think that I could have established the causal relationship between the injury or likelihood of injury and the sales of imports at LTFV. It is

1/ I had opposed the institution of a new investigation on October 24, 1974, because I felt the communication from the U.S. Treasury Department was not new advice but simply a clarification of its advice of September 4, 1974, and consequently I felt the Commission more properly should have proceeded with its original investigation, AA1921-142. My view did not prevail, and a majority of the Commission interpreted the new communication from the U.S. Treasury Department as new advice and the basis for the new investigation, AA1921-143.

clear to me that whatever injury which might be alleged by the smaller domestic producers was due more to their competitive disadvantage against the dominant domestic producer than it was to sales at LTFV.