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UNITED STATES INTERNATIONAL TRADE COMMISSION

PRESSURE SENSITIVE PLASTIC TAPE
FROM ITALY

Determination of Injury or Likelihood Thereof in
Investigation No. AA1921-167
Under the Antidumping Act, 1921, as Amended



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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[AA1921-167]

PRESSURE SENSITIVE PLASTIC TAPE FROM ITALY

Determination of Injury or Likelihood Thereof

On May 31, 1977, the United States International Trade Commission received advice from the Department of the Treasury that pressure sensitive plastic tape of more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy is being, or is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on June 3, 1977, the Commission instituted investigation No. AA1921-167 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Notice of the institution of the investigation and of the public hearing held in connection therewith were published in the Federal Register on June 9, 1977, and July 20, 1977 (42 F.R. 29568 and 42 F.R. 37258). On July 26, 1977, a hearing was held in Washington, D.C., at which all persons who requested the opportunity were permitted to appear by counsel or in person.

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

On the basis of its investigation, the Commission has determined (Chairman Daniel Minchew and Commissioner Catherine Bedell dissenting) that an industry in the United States is being or is likely to be injured 1/ by reason of the importation of pressure sensitive plastic tape of more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy that is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Vice Chairman Joseph O. Parker and Commissioner George M. Moore determined in the affirmative with respect to present injury; Commissioner Italo H. Ablondi determined in the affirmative with respect to likelihood of injury.

Statement of Reasons for the Affirmative Determination of
Vice Chairman Joseph O. Parker and Commissioners
George M. Moore and Italo H. Ablondi

On May 31, 1977, the United States International Trade Commission received advice from the Department of the Treasury that pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy is being, or is likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on June 3, 1977, the Commission instituted investigation No. AA1921-167 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

In order to find in the affirmative in this investigation, the Commission must find that two conditions are satisfied. First, it must find that an industry in the United States is being or is likely to be injured or is prevented from being established. 1/ Second, any 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 Treasury has determined is being, or is likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

Determination

On the basis of the information obtained in the investigation, we determine that an industry in the United States is being or is likely to

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

be injured 1/ by reason of the importation of certain pressure sensitive tape from Italy which is being, or is likely to be sold at LTFV.

The imported article and the domestic industry

Pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness (PSP tape), the imported article which Treasury found to be sold at LTFV, is a plastic film-backed tape with an adhesive on one side that remains permanently tacky at room temperature. The tape firmly adheres to a variety of surfaces upon mere contact, without the need of more than finger or hand pressure. No activation by water, solvent, or heat is required in order to obtain a strong adhesive holding force. PSP tape of the size and specifications which the Department of the Treasury determined is being or is likely to be sold at LTFV is used primarily in the sealing of corrugated boxes.

In making this determination we have considered the U.S. industry to consist of the facilities in the United States devoted to the production of PSP tape. There are nine known producers of such tape.

LTFV sales

The Department of the Treasury examined sales of PSP tape from Italy during the period December 1975 through June 1976. LTFV margins were found on a substantial quantity of the merchandise on which comparisons were made. Three Italian firms were found to have made sales at LTFV margins ranging from 1 to 26 percent. The weighted average margin for the three firms' LTFV sales was about 10 percent.

1/ Vice Chairman Parker and Commissioner Moore find that an industry is being injured, and Commissioner Ablondi finds that an industry is likely to be injured.

Views of Vice Chairman Parker and Commissioner Moore with respect to injury by reason of LTFV sales

The increased penetration of LTFV imports of PSP tape from Italy adversely affected the prices of the domestic industry, resulted in lost sales by U.S. producers, and adversely affected U.S. producers' profits. This clearly demonstrates that the U.S. industry producing PSP tape is being injured by reason of the LTFV imports from Italy. This injury will continue and intensify unless the remedy provided by the Antidumping Act, 1921, as amended, is invoked.

U.S. imports of PSP tape from Italian suppliers found by the Department of the Treasury to be selling at LTFV amounted to less than 8 million square yards in each of the years 1973-75, but then increased to more than 26 million square yards in 1976. The more than trebling of Italian imports from LTFV suppliers in 1976 resulted in those suppliers doubling their share of the U.S. market in that year as compared to their share in 1975. In 1976, the suppliers of LTFV imports from Italy obtained about one quarter of the total U.S. market for PSP tape. The increase in their share of the U.S. market continued in January-May 1977 as imports from these producers increased by approximately two thirds over the quantity entered in the corresponding period in 1976.

U.S. producers' prices for PSP tape, led by continuing reductions in the price of tape imported from Italy, declined sharply during the last three quarters of 1975 and the first half of 1976. The underselling of U.S. producers resulting from LTFV imports from Italy caused price depression in the U.S. market and consequently

to the U.S. industry. Since mid-1976, prices of the domestic PSP tape have remained at depressed levels in comparison with the prices that prevailed prior to late 1975. Moreover, the price reductions that have taken place since early 1975 occurred despite substantial increases in unit production costs incurred by domestic producers.

Evidence showing significant sales lost by domestic producers has been verified by the Commission as having resulted from lower priced LTFV imports from Italy.

The effect of LTFV imports in causing depressed prices and lost sales is also reflected in the financial experience of domestic producers of PSP tape. Since 1974, net operating profit of the firms reporting financial data to the Commission has fallen continuously--plummeting from a substantial profit in that year to a substantial loss in 1976. Likewise, the ratio of net operating profit (or loss) before taxes to net sales fell from a profit of more than 15 percent in 1974 to a loss of more than 10 percent in 1976. Moreover, the losses worsened during the first quarter of 1977, compared with the first quarter of 1976.

On the basis of the considerations discussed above, we conclude that an industry in the United States is being injured by reason of the importation of PSP tape from Italy sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

Views of Commissioner Ablondi with respect to likelihood of injury by reason of LTFV imports

The factors expressed by my colleagues were also factors which I considered in arriving at my determination in this investigation.

In addition, it should be noted that it was not until the early 1970's, when several large U.S. producers became actively engaged in the sale of PSP tape, that domestic production began to increase significantly. Prior to that time, European producers, which first developed and marketed the product, enjoyed a substantial share of the U.S. market, with Italian producers accounting for a significant share of sales. However, as domestic production increased, the share of the market supplied by Italian producers dropped sharply. Between 1973 and 1974, for instance, the share of domestic consumption held by Italian producers found to be selling at LTFV decreased by more than 40 percent.

Faced with continued erosion of their market position, Italian producers sought to recapture their market share by resorting to sales at LTFV. Since 1975, instead of continuing to decline in the face of increased domestic competition, the market share of the Italian producers has dramatically increased. Between 1975 and 1976 alone, shipments rose by 240 percent. During the first 5 months of 1977 shipments again increased, rising 66 percent above the level during the corresponding period in 1976. Though domestic consumption has also grown during this period, Italian LTFV producers have increased their market share to a level exceeding that in 1973.

It is significant that it was during this period of rapidly increasing imports that Italian producers emerged as the downside price leaders, as evidenced by the fact that after January 1975 the price of the imported product remained consistently below that of its U.S. counterpart. That these Italian producers were able to register their largest gains during a period which coincided with the time that prices for the imported product were declining must be attributed in large part to sales at LTFV.

Such pricing measures by Italian LTFV producers seriously depressed prices received by U.S. producers. This fact, coupled with rapidly rising costs, resulted in even the largest U.S. PSP tape producers' experiencing losses on their PSP tape operations in 1976 and the first quarter of 1977. The continued availability of large quantities of low priced PSP tape at LTFV prices poses a serious threat to the economic viability of the PSP tape industry and is likely to lead to continued losses for the small U.S. producers which only began producing this product line within the last 2 or 3 years. In addition, three U.S. producers of tape other than PSP tape advised the Commission that they had studied the feasibility of producing PSP tape but had concluded that the pricing of LTFV imports would make the domestic manufacture of such tape unprofitable, and would not justify any investment in such operations.

On the basis of the considerations discussed above, I have concluded that an industry in the United States is likely to be injured by reason of the importation of PSP tape from Italy, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons for Negative Determination of
Chairman Daniel Minchew and Commissioner Catherine Bedell

On May 31, 1977, the United States International Trade Commission received advice from the Department of the Treasury that pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy is being sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on June 3, 1977, the Commission instituted investigation No. AA1921-167 under Section 201(a) of the act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Before the Commission may find in the affirmative in this investigation, it is necessary that the following two conditions be met:

- (1) An industry in the United States is being or is likely to be injured, or is prevented from being established, 1/ and
- (2) The requisite injury must be by reason of the importation into the United States of the merchandise which Treasury has determined is being, or is likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

Determination

On the basis of information obtained in the investigation, we determine that there is no injury or likelihood of injury to an industry in the United States by reason of the importation of pressure

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

sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy which is being, or is likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

The imported article and the domestic industry

Pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness, the imported article which is the subject of this investigation, is a plastic-film-backed tape that firmly adheres to a variety of surfaces upon mere contact. The product's major use is as corrugated-box-sealing tape. Other uses are for the manufacture of printed labels, for tabbing, for color coding and for label protection.

In making this determination we have considered the domestic industry to consist of the facilities in the United States used in the production of pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness. There are nine known producers of the tape in question.

No injury by reason of LTFV imports

In our opinion the information gathered during the investigation indicates that an industry in the United States is not being injured. Furthermore, if the requisite injury had been established, there would be no persuasive indication that such injury was caused by LTFV imports.

The available information shows that the domestic industry producing pressure sensitive plastic tape is a healthy, growing industry which has experienced a substantial increase in production,

shipments, sales, and employment in each of the last 4 years (1973-76). Furthermore, six new domestic producers have commenced production of this tape during the 4-year period. Other U.S. firms are reported to be seriously considering production of pressure sensitive plastic tape. In response to the increasing demand for this tape, U.S. production was approximately three times greater in 1976 than it was in 1973. U.S. producers' shipments followed the same trend. Both production and shipments continued to increase sharply during January-May 1977, compared with the corresponding period in 1976. U.S. employment in the production of this tape tripled between 1973 and 1976 and then increased again by more than 70 percent during January-May 1977, compared with the corresponding period in 1976.

Certain U.S. producers contend that the profitability of their pressure sensitive plastic tape operations has suffered because of availability of low-priced LTFV imports of the tape in question. However, we are unable to find a causal relationship between the LTFV imports and U.S. producers' loss of profits. It is to be expected that when an industry expands from three to nine producers within a short period of time, severe price competition will be experienced as the new producers strive to obtain a share of the the existing market. In this case it is evident that the new producers, which were primarily producing and marketing a new, lower priced type of tape (polypropylene), which was first sold in the United States in significant quantities in 1975, would adversely affect the profitability of the established U.S. producers of the considerably higher priced polyester tape. The lowest prices of

at least one of the U.S. producers of polypropylene tape were as low as the prices of imported UPVC tape from Italy in certain months during the period in which Treasury found that imports were being sold at LTFV. In addition, the lowest prices quoted for the LTFV imports generally applied only to large shipments of as many as 1,000 cases, whereas the lowest prices offered by U.S. producers applied to quantities ranging from 20 to 200 cases. Thus, price comparisons between domestic producers and importers tend to overstate the price advantage of importers.

No likelihood of injury by reason of LTFV imports

The strong growth trends evidenced by the domestic industry lead us to believe that LTFV imports as described by Treasury are not likely to injure the domestic industry. Annual U.S. consumption of pressure sensitive plastic tape approximately tripled between 1973 and 1976 and increased again by about 30 percent in January-May 1977, compared with January-May 1976. It appears that U.S. consumption will continue to increase, particularly in light of estimations that the U.S. market for pressure sensitive plastic tape is substantially underdeveloped in comparison with the development of the European market for such tape. As the European market begins to recover from the recent recession, Italian exports are expected to focus once again on European demand for pressure sensitive plastic tape. This should result in reduced diversion of Italian exports to the U.S. market. Finally, we note that counsel for the chief supplier of imports of pressure sensitive plastic tape from Italy has notified the Commission of an increase in his client's list prices effective September 1, 1977.

Conclusion

We, therefore, conclude that an industry in the United States is not being and is not likely to be injured by reason of the importation of pressure sensitive plastic tape more than 1-3/8 inches in width and not exceeding 4 mils in thickness from Italy which is being, or is likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

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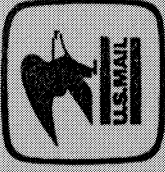
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