UNITED STATES TARIFF COMMISSION

CLEAR SHEET GLASS FROM TAIWAN

Determination of Injury
in Investigation No. AA1921-76
Under the Antidumping Act, 1921,
As Amended

TC Publication 407
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UNITED STATES TARIFF COMMISSION

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Washington

/ AA1921-76 /

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Determination of Injury

The Assistant Secretary of the Treasury advised the Tariff Commission on April 21, 1971, that clear sheet glass from Taiwan is being, and is likely to be, sold in the United States 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 Antidumping Act (19 U.S.C. 1960(a)), the Tariff Commission instituted Investigation No. AA1921-76 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.

A public hearing was held on June 9, 1971. Notice of the investigation and hearing was published in the Federal Register of April 30, 1971 (36 F.R. 8177) and May 20, 1971 (36 F.R. 9154).

In arriving at a 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.

On the basis of the investigation, the Commission has determined that an industry in the United States is being injured by reason of the importation of clear sheet glass from Taiwan, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 1/

Statement of Reasons for Affirmative Determinations
of Commissioners Sutton and Moore

In our opinion, an industry in the United States is being injured by reason of the importation of clear sheet glass from Taiwan which is being sold at less than fair value (LTFV) within the meaning of the Antidumping Act. In making our determination, we have considered the injured industry to consist of the facilities of the United States producing sheet glass. Sheet glass currently is being produced domestically by five firms at twelve establishments; the establishments are engaged exclusively, or almost so, in the manufacture of that product.

Conditions of competition in the U.S. market

In our statement in the recent antidumping investigation of sheet glass from Japan, 2/ we pointed out that the U.S. market for sheet glass has been sluggish since the mid-1960's. Although annual U.S. consumption of such glass has fluctuated somewhat from year to year, it has generally contracted, rather than expanded, from the peak 1965 level. In 1970, for example, apparent U.S. consumption of sheet glass was equivalent to 91 percent of the volume used in 1965. Domestic shipments declined more

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1/ Commissioners Sutton and Moore determined in the affirmative and Commissioners Leonard and Young determined in the negative. Pursuant to Section 201(a) of the Antidumping Act, the Commission is deemed to have made an affirmative determination when the Commissioners voting are equally divided. Chairman Bedell did not participate in the determination.

2/ Clear Sheet Glass and Clear Plate and Flat Glass from Japan . . ., Investigations Nos. AA1921-69/70 . . ., TC Publication 382, April 1971.

proportionately than imports in the late 1960's; imports in 1970 were equal in quantity to 93 percent of 1965 entries, and the domestic producers' shipments in 1970 were equal to 88 percent of those in 1965. U.S. market demand for sheet glass is dependent in great part on the levels of residential and nonresidential construction and motor vehicle production. Since 1965, residential construction and motor vehicle production have been materially below the level set in that year; nonresidential construction has been a little above the 1965 level, but has generally declined since a 1966 peak. The stagnation in these end uses has in turn affected the markets for sheet glass.

While demand for sheet glass has been sluggish, the competition in the United States for sales of such glass has intensified. Although published prices were increased several times after 1965 (but are lower currently than a year earlier), the practice of discounting below published prices, especially in coastal markets, grew markedly. Until about 1967 the domestic producers were able to sell consistently at their published prices. As competition became more severe, various suppliers of imported glass increasingly discounted the published prices; the domestic producers attempted to meet such discounts to the degree necessary to hold their customers. In 1967 the extent of selling below published prices by the domestic producers was moderate--about 2 percent of their total sales of sheet glass. In 1970 more than a fourth of all domestic sheet glass marketed in the United States was discounted below published prices.

Effect of imports of LTFV sheet glass from Taiwan

The Treasury found that the two Taiwanese manufacturers were exporting sheet glass to the United States. Both sold a small portion of their exports to the United States at less than fair value. Dumping margins found by Treasury were small on some of the shipments sold at LTFV, but were substantial on shipments of some categories of sheet glass.

In 1969 and 1970, the years that encompassed the Treasury's study of Taiwanese shipments, the bulk of the sheet glass imported into the United States from Taiwan was entered on the West Coast. Indeed, Taiwanese imports, a part of which were sold at LTFV, were a material factor in the supply of sheet glass on the West Coast. Significantly LTFV imports of Japanese sheet glass, which the Commission recently found to be injuring a domestic industry, 1/ was also marketed on the West Coast; the entries of such Japanese glass were larger in volume, and the LTFV margins were greater, than was true of the Taiwanese glass. As we have held in other recent cases, we must necessarily consider the cumulative impact of contemporary LTFV imports from more than one foreign source in making determinations under the Antidumping Act. 2/ Hence, in reaching our determination in this case, we have taken into consideration the LTFV imports of sheet glass from Japan in conjunction with those from Taiwan.

Data supplied to the Commission by West Coast buyers of Taiwanese sheet glass indicate that the net discounted prices they paid were from 10 to 24 percent less than the published prices of the domestic producers in the years 1968-70. By 1969, the first year involved in the Treasury study, the domestic producers were extensively trying to meet,

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1/ Clear Sheet Glass and Clear Plate and Float Glass from Japan . . ., Investigations Nos. AA1921-69/70. . . TC Publication 382, April 1971.

2/ Pig Iron from Canada, Finland, and West Germany . . ., Investigations Nos. AA1921-72/74 . . . TC Publication 398, June 1971, pp. 2-6.

in whole or in part, the discounted prices of Taiwanese (and Japanese) glass in the U.S. market; a substantial share of their total shipments of sheet glass was sold below their published prices, at appreciable discounts, in 1969 and 1970. In turn, a substantial share of such sales were made in an attempt to meet the prices of LTFV sheet glass being sold in the U.S. market. Clearly the resultant price erosion is of such magnitude as to be injurious to the domestic sheet glass industry within the terms of the Antidumping Act. We have, therefore, made an affirmative determination.

Statement of Reasons for Negative Determination of Commissioners Leonard and Young

In our opinion no 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 clear sheet glass from Taiwan found by the Treasury Department to be, or likely to be, sold in the United States at less than fair value (LTFV).

For an affirmative decision under the Antidumping Act, 1921, any injury that may have occurred to a domestic industry must be at least in part by reason of the importation of the LTFV merchandise. In the instant investigation, if there is any injury to the industry in the United States, which we define as twelve establishments owned by five firms producing clear sheet glass, it is not caused to any recognizable degree by the LTFV clear sheet glass imported from Taiwan. In making this determination, we have looked at the tests most frequently employed by the Commission in linking injury with LTFV sales. Those tests include market penetration, market disruption, price depression, and price suppression.

Imports from Taiwan

Imports of clear sheet glass from Taiwan amounted to 2.2 percent of domestic consumption in 1968 and 1.6 percent in both 1969 and 1970. According to the Treasury Department's calculations, less than 10 percent of the imports of such glass from Taiwan during the period of the

Treasury study was sold at LTFV. Thus it appears that LTFV sales of such glass from Taiwan were less than one-fourth of one percent of U.S. consumption in the years 1968-1970. By itself then, the minuscule share of the market in the United States taken by LTFV glass from Taiwan could not be said to injure. Moreover, there are no future prospects of such injury.

Total U.S. imports of sheet glass from Taiwan declined from 42 million pounds in 1968 to 28 million pounds in 1970, a decline of 33 percent compared to a decline in total U.S. consumption of only 9 percent, from 1.9 billion pounds in 1968 to 1.7 billion pounds in 1970.

According to Treasury's findings, LTFV imports from Taiwan occurred early in 1969 and thereafter abated. Assurances that no further sales would be made at LTFV were received in November 1970. The probable future market penetration of LTFV Taiwanese glass is nil.

Regional markets

A small penetration of LTFV imports nationwide can nevertheless be injurious if concentrated in a particular market. Therefore, attention must be directed to the extent of Taiwanese LTFV competition in seaboard areas, where, because of lower waterborne freight costs, imported glass generally has found a certain acceptance.

In its investigation the Treasury Department found LTFV sales of Taiwanese glass on both the East and West Coasts of the United States. The largest differences between the home market price and the U.S. price for sheet glass from Taiwan were found on the much smaller, sporadic shipments to the East Coast, where Taiwanese glass accounted for but a negligible share of the market. Yet, the inability of Taiwan glass to gain any significant entry into the East Coast market shows no injury to any part of the domestic industry by reason of LTFV sheet glass from Taiwan and further indicates a lack of relationship between the margins of dumping ascribed to sheet glass from Taiwan and injury to the domestic industry.

Taiwan sold more than two-thirds of its total shipments to the U.S. on the West Coast. Imports of Taiwanese glass in that area amounted to 17 percent of West Coast consumption in 1967 and 1968 but fell to 13 percent in 1969 and 10 percent in 1970. But only 10 percent of Taiwan imports were found to be at LTFV. Thus, less than 2 percent of the sheet glass consumed on the West Coast consisted of LTFV imports from Taiwan. By contrast, the difference between the home market price and the export price of glass shipped to that area from Taiwan, which amounted to less than 5 percent, was much smaller than on the East Coast. The greater penetration, but smaller dumping margins require a study of the pricing situation and the competitive factors to determine whether the LTFV glass from Taiwan is causing, or is likely to cause, injury to the domestic industry on the West Coast.

West Coast pricing and competition

Prior to 1967, U.S. glass marketed on the West Coast was sold from plants east of the Rockies at a higher delivered price than elsewhere in the United States, and a larger share of that market was supplied by imports than elsewhere. The investigation revealed that in 1967, domestic production facilities were opened on the West Coast, and shortly thereafter glass was sold below published prices by both importers and domestic producers. The practice of price discounting was progressively intensified in 1968, 1969, and 1970. At times sales were made on the basis of prices as much as 24 percent below published prices.

When a new source of supply becomes available, aggressive marketing practices would be expected on the part of the new supplier, as well as others in the area. All suppliers would begin to shave prices to maintain regular customers and acquire new ones. By so doing, volume would be maintained in the producing facilities, and an experienced labor force, salesmen, office workers, etc. could be maintained. Price competition is the heart of the free enterprise system.

Although price discounting, per se, is not wrong or illegal, when a foreign manufacturer discounts his prices of products shipped to the United States below his prices in the home market, the question is immediately raised as to whether this dumping injures a domestic industry. The question here being considered then is, did the dumping of Taiwanese glass on the West Coast injure the domestic industry?

Taiwan glass was sold for export to the West Coast priced at 95 percent or more of the home market price. The facts developed in this investigation do not reveal the extent, if any, to which the LTFV sales of sheet glass from Taiwan contributed to the discounting of prices that was taking place on the West Coast. Even the very small price reduction by the Taiwanese was limited to only an estimated 10 percent of their shipments of glass to the West Coast of the United States. This very limited extent of dumping, both as to price and as to volume, by the Taiwanese seems to explain why glass from Taiwan did not fare so well in the intense competition for the U.S. West Coast market. As this competition intensified, Taiwan's share of the West Coast market fell from 17 percent in 1967 and 1968 to 13 percent in 1969 and 10 percent in 1970, as previously noted. Although actual shipments to the West Coast by Taiwan increased modestly in 1968 over 1967, shipments in 1970 were about 6.5 million pounds less than in 1967. All the while, shipments by U.S. producers to the West Coast increased from 65 million pounds of glass in 1967 to 110 million pounds in 1970--an increase of 69 percent, and the U.S. producers' share of the West Coast market was going up from 45 percent in 1967 to 51 percent in 1968, 53 percent in 1969, and 64 percent in 1970. Thus, while U.S. producers' shipments to the West Coast were increasing absolutely and relatively, Taiwan's shipments to the West Coast fell.

Conclusion

Having taken all of these factors regarding market price levels and competition into account, we can find no causal relationship between LTFV sales of sheet glass from Taiwan on the West Coast and injury or likelihood of injury or prevention of establishment of an industry in that area. Therefore, from the point of view of the industry as a whole and the industry in particular regional markets, our determination is in the negative in this investigation.