

UNITED STATES TARIFF COMMISSION

SHEET GLASS FROM FRANCE,
ITALY, AND WEST GERMANY

Determinations of injury
in Investigations Nos. AA1921-78, -79, and -80
under the Antidumping Act, 1921
As Amended



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UNITED STATES TARIFF COMMISSION

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On the basis of the joint investigations, the Commission has determined by a vote of 3 to 3 1/ that an industry in the United States is being injured by reason of the importation of clear sheet glass weighing over 28 ounces per square foot from France and West Germany and clear sheet glass weighing over 16 ounces per square foot from Italy, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons for Affirmative Determinations of Chairman Bedell and 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 weighing over 28 ounces per square foot from France and West Germany and clear sheet glass weighing over 16 ounces per square foot from Italy, which is being sold at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

The industry

In making these determinations, 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

1/ Chairman Bedell and Commissioners Sutton and Moore determined in the affirmative and Vice Chairman Parker and Commissioners Leonard and Young determined in the negative. Pursuant to section 201(a) of the Antidumping Act, 1921, as amended, the Commission is deemed to have made an affirmative determination when the Commissioners voting are equally divided.

by five firms at eleven establishments; 1/ the establishments are engaged exclusively, or almost so, in the manufacture of that product.

Conditions of competition

The determination of whether imports of sheet glass sold at LTFV are causing injury to the domestic sheet glass industry is no longer a novel matter. During this year the Commission has already determined that the domestic industry is being injured by LTFV imports of clear sheet glass from Japan 2/ and Taiwan. 3/ The Treasury Department has now determined that certain sheet glass of the weights specified is also being imported at LTFV from France, Italy and West Germany. Thus, Treasury has now determined that clear sheet glass is being sold at LTFV in at least five of the major glass exporting countries of the world and it is evident that there is an international price war on sheet glass which is intensified by sales at LTFV.

In the recent dumping investigations of clear sheet glass from Japan and Taiwan, it was 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.

1/ One domestic plant began to shut down in September and is not included herein.

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

3/ Clear Sheet Glass from Taiwan, Investigation No. AA1921-76, TC Publication 406, July 1971.

Domestic shipments declined more 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 two 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.

The imported products

Treasury's determinations of sales at LTFV of clear sheet glass the subject of this joint investigation are limited to glass weighing over 28 ounces per square foot from France and West Germany and to glass weighing over 16 ounces per square foot from Italy. In this regard it should be noted that approximately one third of all U.S. consumption of clear sheet glass consists of glass weighing over 28 ounces per square foot and by far the bulk of all clear sheet glass consumed in the United States weighs over 16 ounces per square foot. The U.S. consumption of clear sheet glass weighing less than 16 ounces is very small. Thus, the LTFV imports are in those weights sold in the mainstream of the domestic market.

Dumping margins support extensive underselling

The Treasury found that not all exports of the subject glass were sold at LTFV from each of the three named countries. However, the quantities of LTFV glass imported from each country were substantial, if not the major bulk of such exports. The margins of dumping ^{1/} varied according to sizes, ranging as high as 59 percent of the foreign market values. The average was quite large. The delivered price patterns of the LTFV imports, both in the subject

^{1/} The term "margin of dumping" means the difference between the foreign market price and the export price.

investigations and the two recent cases of LTFV imports from Japan and Taiwan, indicate a general price leadership by the importers of such LTFV imports who methodically undersold domestic producers of such glass until it became evident that action might be taken under the Antidumping Act. Such underselling was supported entirely by the dumping margins in virtually all instances. 1/

Impact of LTFV imports

As a result in substantial part of the LTFV imports from France, Italy and West Germany, which have generally been sold at prices substantially lower than the prices for comparable domestic glass, published prices of such domestic glass have been suppressed in that they have been able to rise at only half the rate of the increased costs of production. Moreover, it has been necessary with respect to over 25 percent of the sales by domestic producers to discount their published prices to prevent losses of sales. These factors have effectively caused a substantially large block of the sales of domestic glass to be made at prices below industry costs. Such a condition is anticompetitive and, if allowed to continue, would be monopolistic in result. The Antidumping Act is designed to help prevent such conditions.

1/ Recognition is given to the fact that about half of one country's shipments were purchased at fair value. However, the margins on those imported at LTFV were large enough to effectively subsidize underselling U.S. producers on all sizes of the glass imported from that country.

Conclusion

In summary, the foregoing circumstances indicate that LTFV imports of clear sheet glass from France, Italy and West Germany, whether considered cumulatively or individually, have had a substantial disruptive effect on the domestic market for such glass. They have contributed substantially to a price suppression on a national scale and to a price depression in those market areas where the sales of LTFV imports were most heavily concentrated. Moreover, the LTFV sales in the international market have influenced other foreign sources of sheet glass to lower their export prices on shipments of such glass to the United States to the further detriment of our domestic price levels. If these dumping practices are allowed to continue there is adequate capacity among other nations of the world to threaten the continued existence of our clear sheet glass industry.

Statement of Reasons for Negative Determination
of Vice Chairman Parker and 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 weighing over 28 ounces per square foot from France, West Germany, and Italy, or of clear sheet glass weighing over 16 ounces per square foot from Italy, 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 determination 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 investigations, if there is any injury to the industry in the United States, which we define as eleven establishments (formerly thirteen) owned by five firms producing clear sheet glass, it is not caused to any recognizable degree by LTFV imports of heavy sheet glass from France, West Germany, and Italy, or of window glass from Italy. 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 an examination of the extent to which LTFV sales can be shown to have increased foreign producers' penetration of the U.S. market, disrupted the market, or depressed the prices realized by U.S. producers.

Health of the U.S. industry

Heavy sheet glass is one product of the sheet glass industry, which in turn is a part of the glass industry. The three largest producers of sheet glass are multiproduct corporations whose total sales amounted

to \$1.6 billion in 1970. Sheet glass in 1970 represented from 4 to 28 percent of each company's total sales in that year, having declined in recent years as a percentage of total sales. The largest sales of sheet glass in the period 1966-70 were in 1968, after which they declined but began to pick up in 1971. Profits in 1970 were adversely affected by a decline in new construction, a prolonged strike in the automotive industry, and general economic conditions. Two of the companies had losses in certain years on sheet glass operations; they explained, in their reports to stockholders, that obsolete plants were being phased out and written off against current earnings. Float glass was taking the place of plate glass and, to an increasing extent, of heavy sheet glass as well.

The ASG sheet glass plant at Arnold, Pa., was closed in 1969, and the LOF sheet glass plant at Shreveport, La., was closed in 1971, but the PPG sheet glass plant at Fresno, Calif., is being expanded. Although, as claimed, import competition may have had some effect on the plant closings, changes in technology and labor problems appear to have played a larger part. Total plant capacity is said to be adequate to meet expected demand, but at the present time the factories are several weeks behind in filling orders because of heavy demand prompted by brisk activity in the construction and automotive industries. Buyers of glass are also ordering ahead of actual requirements because of the expiration of labor contracts in the domestic industry, and some are shifting their orders from foreign to domestic suppliers because of the dock strikes.

Preliminary reports for the first three quarters of 1971 indicate improved profits for all three companies, but these reports do not

analyze sheet glass operations separately. Among the numerous factors that affect growth in the sheet glass industry, it is very difficult to pinpoint the exact extent and impact of LTFV sales of heavy sheet glass from France, West Germany, and Italy, and of window glass from Italy. Although extensive statistical data bearing on this question have been collected and analyzed, it has not been established that such sales are causing injury to a U.S. industry.

We have limited our consideration of LTFV sales of specified types of sheet glass from France, West Germany, and Italy to the effect of such sales on the U.S. establishments producing sheet glass. Finding no injurious effect on these establishments, we have refrained from examining the possible effect on processors and users of sheet glass, since the effect on the latter would be less injurious than on the producing establishments.

Imports are a safety valve

Sheet glass is produced by a continuous flow process and the plants are normally closed down only at infrequent regular intervals for cleaning and reconstruction. The supply, therefore, does not always vary with demand. Facilities for storage are extensive but not unlimited, and the only possibility for overcoming a temporary shortage is to ask customers to wait. Further expansion or duration of storage is expensive, as are long waits by customers.

Imports have generally varied with the demand for glass, increasing or decreasing at a faster rate than domestic production and diminishing the need for any sudden changes in production schedules or large standby capacity. The level of imports has also been affected by changes of

demand in the various supplying countries, where local requirements do not always move in the same direction as in the United States. In addition, the volume of international shipments has been affected by financial considerations, multinational corporate affiliations, and tariff policies. All these factors influence the changes that occur both in the general price level and in temporary differences between prices of competing suppliers in the U.S. market. The process of adjustment may involve instances of LTFV sales, but these are not, in the instant case, causes.

Market penetration

European glass has always supplied a considerable part of the U.S. market, especially in areas near ports. The opening of the St. Lawrence Seaway in 1959 permitted small quantities of European sheet glass to be sold in some interior cities. What is new, however, is not the penetration of European glass, but imports from developing countries such as Turkey, Colombia, and Taiwan.

Turning first to heavy sheet glass, we find that imports of such glass from all countries, as well as the imports from France, West Germany, and Italy, have varied from year to year and have not shown any general upward trend; since 1968 the trend has been downward. While rivalries between one foreign supplier and another, and the varying success of one sales agent in competition with another, have from time to time shifted patterns of shipments, it still remains true that French, West German, and Italian producers of heavy sheet glass have not increased their generally peripheral penetration of the U.S. market.

LTFV quantities are small and declining

In 1970, imports of sheet glass weighing over 28 ounces per square foot from France supplied 0.9 percent of apparent U.S. consumption; imports of such glass from West Germany, 5.1 percent; and those from Italy, 1.9 percent of consumption. To summarize the Treasury Department's calculations, based on a 4-month representative period in 1970 for France and Italy and a 6-month representative period in 1969 for West Germany, about two-thirds of the heavy sheet glass from France was sold to importers at a margin average of 12 percent below fair value; about half of the imports from Italy were sold at a margin averaging 14 percent. Although the Treasury noted that some French, West German, and Italian glass was exported to the United States at prices higher than home prices, it excluded such exports from its calculations.

Imports of sheet glass in 1970 came from 32 countries. The average unit values of the imports from France, West Germany, and Italy (8.1, and 7.7 cents per pound) were higher than the general average (7.4 cents). Imports of heavy sheet glass from France, West Germany, and Italy declined from 50 million pounds in 1968 (last full year before the time selected by Treasury for its examination of transactions) to 44 million pounds in 1969 and to 41 million pounds in 1970. They further declined from 24 million pounds in the first half of 1970 to 8 million pounds in the first half of 1971. Clearly, the occurrence of LTFV sales, whether so intended or not, did not result in the sale of larger quantities of French, West German, and Italian heavy sheet glass in the U.S. market.

No consistent pattern of underselling

The Tariff Commission's data on prices of foreign and domestic heavy sheet glass show no consistent pattern of underselling related to the LTFV sales found by the Treasury. The Commission's questionnaire requesting net delivered prices paid for French, West German, and Italian sheet glass in the years 1968-70 and in January-September 1971 was returned with records of purchases by 58 direct-factory buyers. For purposes of comparison the buyers also reported the prices they paid for Belgian glass (not sold at LTFV) and domestic glass of an identical representative description during the period. An average, weighted by the quantities reported, was computed for each country and each year. The percentage of difference between the average price of the glass from each country and that of the domestic glass purchased by the same buyers was then computed for each year. We have made an allowance of 5 percentage points to allow for what all parties generally concede to be approximately the normal market disadvantage of the foreign glass, due to foreign producers' inability to provide all the services, including prompt delivery, usually offered by domestic producers. By this method it was found that in 1968, before the time selected by the Treasury for its examination of transactions, West German heavy sheet glass was underselling U.S. glass by about 11 percent, the Italian and Belgian glass was underselling by about 5 percent, and the French by about 2 percent. However, in 1969 there was no underselling of French or West German heavy sheet glass, and Italian heavy sheet was underselling the U.S. product by about 8 percent. In 1970 there was no underselling of French or Italian heavy sheet glass, and West German heavy sheet was underselling the U.S. product by about

4 percent. The Commission, on the basis of its questionnaire, found that, beginning in the second half of 1970 and continuing to the present time, all the specified foreign heavy sheet glass was either selling for a higher average price than comparable domestic glass or was not being purchased at all.

Many factors, of which the selling at LTFV found by the Treasury is probably only a minor one, have affected the U.S. market for heavy sheet glass in recent years. Float glass, a superior product, has increasingly become available at prices approaching those of heavy sheet glass. Dock strikes in 1968 and 1971 and wage contract negotiations at about the same time in the domestic flat glass industry, caused accumulation of stocks at some places and times and shortages at other places and times. The revaluation of the mark in 1969 and the suspension of gold payments by the United States in 1971, with consequent floating of the mark and the lira, caused fluctuations in price adjustments.

The mere presence of foreign heavy sheet glass in the U.S. market has, of course, affected the present level of prices. We are of the opinion, however, that this level of prices has been determined by the overall economic situation, the U.S. demand, and the supply of heavy sheet glass available from all sources at the prevailing prices to an immeasurably greater degree than it has been affected by temporary differences between home and export prices in particular countries.

Market disruption?

A number of events have disturbed, but not disrupted the U.S. market for heavy sheet glass in recent years. Technological change,

inflation, strikes and threats of strikes in the glass, construction, automobile and railroad industries have affected the internal situation. Foreign trade has been affected by dock strikes, changes in monetary valuations, and, to an uncertain extent, by imposition of the import surcharge.

Price depression

Data supplied by three domestic producers indicate that the average prices they realized from sales of heavy sheet glass in 1970 were on the whole about the same as in 1966 and intervening years. Data supplied by 58 direct-factory buyers confirm this statement, but show a subsequent decline in the net price of about 13 percent in January-September 1971 compared with the year 1970. At this time, however, the average prices paid for West European glass are increasing and are higher than the prices of comparable domestic glass.

The published price of 3/16 inch domestic sheet glass in the 10-to-25 square foot bracket on May 1, 1970 was 15 percent higher than on May 1, 1966 but on May 1, 1971 the published price was slightly reduced, to a point 14 percent higher than in 1966. The difference between published prices (which increased) and average net realized prices (which did not increase) is reflected in the increased extent of discounting practiced

by the industry, and is characterized as price depression since it has prevented realization of the price increases thought necessary to keep up with the general rise of prices and wages.

Improvements in productivity and in efficiency of distribution achieved by the industry have offset in part its inability to realize higher net prices, but these have been less important than the tendency to substitute float glass for heavy sheet glass by those companies licensed to produce float glass (which, incidentally, are the ones realizing profits). We think that in this case the LTFV sales that occurred have not resulted in prices persistently lower than U.S. prices, nor have they resulted in any increase in sales of French, West German, or Italian heavy sheet glass in the U.S. market.

Discounting

Two of the complaining U.S. producers have offered testimony which indicates that an increasing proportion of their sales of heavy sheet glass has been sold at discounts from list price which have increased considerably since 1967, specifically in order to meet the price competition of French, West German, and Italian heavy sheet glass. The necessity of discounting to this extent in order to make sales, especially in coastal areas, is regarded by these producers as injury since it deprives them of sales at list prices even though it prevents to some extent the loss of customers. This indicates that the two companies' revenue in 1970 (when the greatest amount of discounting took place) from sales of heavy sheet glass was about 0.9 percent less, in order to meet the specified competition, than it would have been if all their sales of such glass could have been made at list prices.

We fail to see, however, that any company has a right to realize list prices under all circumstances, or that the failure to do so constitutes injury, or that the imputed injury can be traced to LTFV sales identified by the Treasury. Discounting as a method of pricing is an established practice in a number of industries and is not necessarily incompatible with free competition. We note, moreover, that beginning in 1967 with discount offers by the Ford Motor Company, which at that time began to sell heavy sheet glass on the open market, the practice of discounting has generally increased in the sheet glass industry, in order to meet the competition of domestic as well as foreign producers.

No industry likely to be injured by further LTFV imports

The import surcharge imposed by Presidential proclamation on August 15, 1971 adds 6 to 10 percentage points to the ad valorem burden of U.S. duties paid on imported sheet glass. The duties now being paid on sheet glass from France, West Germany, and Italy, including the surcharge, are in some cases one-third or one-half more than, and in other cases double, the regular duties previously payable. Since the surcharge can only be passed on to the U.S. buyer to the extent he is willing to pay it, or can only be absorbed by the foreign producer to the extent he can afford a lower net return, the surcharge is likely to discourage further importation of French, West German, and Italian sheet glass and to make sales at less than fair value, if such sales were under consideration, unprofitable and improbable.

Window glass

The finding by the Treasury that window glass from Italy (though not from West Germany or France) is being or is likely to be sold at LTFV necessitates a supplementary consideration of this product. Unlike heavy sheet glass, production of which has decreased by 26 percent since 1965, window glass production has moved, with ups and downs, to 3 percent greater production in 1970 than in 1965. The total sales of this product are also much larger than those of heavy sheet glass.

Despite some underselling by foreign (chiefly Italian) producers in certain port areas, the average realized net price of domestic 19-ounce window glass, nationwide, has hardly been affected at all; it was \$11.57 per 100 square feet in July-September 1971, compared with \$11.13 in July-December, 1968, while the corresponding published prices were \$12.01 and \$11.58. The share of U.S. consumption of window glass supplied by Italy (not all sold at LTFV) increased from 0.7 percent in 1965 to 3.3 percent in 1968 but decreased thereafter to 2.7 percent in 1970. We feel that, although there may have been some underselling of Italian window glass, the total effect of this practice, and the degree to which it reflected LTFV sales have not been of a magnitude to be characterized as injurious.

There is no evidence that the LTFV sales were the cause of the underselling that may have occurred. The relatively low net prices of Italian window glass have been due in large part to the lower cost of delivery where inland transportation is not involved. The imports of Italian window glass, viewed together with Italian heavy sheet glass in the terms described by the Treasury (clear sheet glass weighing over

16 ounces per square foot) involve, on the average, less underselling than when viewed separately. Moreover, the quantities imported have been decreasing and are likely to decrease further as a result of the import surcharge and pending changes in the lira/dollar exchange rate.

Summary

The domestic sheet glass industry is confronted with problems of technological change, adjustment of capacity and inability to increase realized prices, especially for heavy sheet glass. It also faces import competition, especially in areas near seaports. It has nevertheless remained, on the whole, profitable, and imports have decreased since 1968. The import surcharge and changes in money rates will discourage further imports and render improbable any further sales of French, West German, and Italian sheet glass at LTFV in the foreseeable future. Little, if any, correlation has been found between the LTFV sales found by the Treasury and actual underselling in the U.S. market, and the extent of underselling has been small since 1968, a year prior to Treasury's investigation. Indeed, the average U.S. prices of imported glass of the kinds covered by these investigations have increased and currently exceed domestic prices.

In view of these considerations, as set forth in greater detail above, we find no U.S. industry is injured or is likely to be injured, or is prevented from being established by reason of the importation at less than fair value of clear sheet glass weighing over 28 ounces per square foot from France and West Germany and clear sheet glass weighing over 16 ounces per square foot from Italy.