

UNITED STATES TARIFF COMMISSION

EXPANDED METAL OF BASE METAL  
FROM JAPAN

Determination of Injury  
in Investigation No. AA1921-130  
Under the Antidumping Act, 1921,  
As Amended



TC Publication 629  
Washington, D. C.  
November 1973

UNITED STATES TARIFF COMMISSION

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November 30, 1973

AA1921-130

EXPANDED METAL, OF BASE METAL, FROM JAPAN

Determination of Injury

The Treasury Department advised the Tariff Commission on August 31, 1973, that expanded metal of base metal from Japan is being, or is 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 Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-130 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 a hearing to be held in connection therewith was published in the Federal Register of September 17, 1973 (38 F.R. 26031). A public hearing was held on October 24, 1973.

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 1/ has determined, by a vote of 2 to 2, 2/ that an industry in the United States is being injured by reason of the importation of expanded metal of base metal from Japan that is being sold at less than fair value (LTFV) within the meaning of the Antidumping Act of 1921, as amended.

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1/ Chairman Bedell and Commissioner Young did not participate in the decision.

2/ Commissioners Leonard and Moore determined in the affirmative; Vice Chairman Parker and Commissioner Ablondi determined in the negative. Pursuant to section 201(a) of the Antidumping Act of 1921, as amended, the Commission is deemed to have made an affirmative decision when the Commissioners voting are equally divided.

Statement of Reasons for Affirmative Determination of  
Commissioners Leonard and Moore

In our opinion, an industry in the United States is being injured by reason of the importation of expanded metal of base metal from Japan that is being sold at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

The imported product

The term "expanded metal of base metal," as used in this determination, includes expanded metal produced from all metals and metal alloys other than gold, silver, and the platinum group. It does not include metal lath, which is similar in appearance to expanded metal but which is produced by a different technique, has different mechanical properties, is used for different applications, and is less costly to produce.

The injured industry

In making this determination, the injured industry is considered to consist of all facilities in the United States used in producing expanded metal of base metal. Eight firms which operate production facilities in seven States (Alabama, California, Illinois, Ohio, Oklahoma, Texas, and West Virginia) account for the great bulk of total U.S. output of this material. Although the domestic industry as a whole has been injured as a result of the LTFV imports, the brunt of the injury has been borne in the market consisting of the seven Western States and certain port cities outside of those States where most of the LTFV imports have been sold.

### Requirements of the statute

In order to make an affirmative determination under the Antidumping Act, it must be found that an industry in the United States is being injured or is likely to be injured, or is prevented from being established, and that such injury or likelihood of injury or prevention of establishment must be "by reason of" the importation into the United States of the class or kind of foreign merchandise the Secretary of Treasury has advised is being, or is likely to be, sold at less than fair value. In the instant investigation, there is the requisite injury, and an identifiable cause of that injury is the importation of expanded metal of base metal from Japan sold at LTFV. A discussion of the manifestations of that injury and the role played by the LTFV imports follows.

### Market penetration

The Treasury Department's investigation showed that, in terms of value, about 85 percent of the expanded metal exported from Japan to the United States, for which fair-value comparisons were made, was sold at LTFV. The price advantage afforded by such sales enabled Japanese exporters to increase their share of the U.S. market. Both the quantity and value of U.S. imports of expanded metal from Japan during the 6-month period in which Treasury found LTFV sales (September 1972-February 1973) were greater than they were in the preceding 12-month period. The ratio of the value of imports from Japan to apparent U.S. consumption of expanded metal increased from 2.9 percent in 1971 to 4.3 percent in 1972; during the same period, imports from Japan as a share of apparent consumption in the seven Western States increased from 9 to 22 percent.

Although apparent consumption of expanded metal in the seven Western States increased by approximately 20 percent in 1972 as compared with consumption in the preceding year, U.S. producers' aggregate shipments to that marketing area remained at the same level in both years. Thus the Japanese suppliers were able to obtain all of the additional business represented by the growth in the Western States market in 1972, there being no other imports of significance in that market. Thus, in these circumstances, the market penetration of the Japanese imports, in part attributable to LTFV sales, is an index of injury to the domestic industry.

Moreover, it should be noted that the data presented above are based on the foreign value of the imported expanded metal. If the duty-paid delivered value of the imports in the U.S. market (i.e., a value comparable to that reported for domestic producers' shipments) were to be used in the foregoing computations, significantly higher penetration percentages would result.

#### Price depression

U.S. producers' prices for expanded metal of carbon steel, the material specifically found by Treasury to have been sold at LTFV, were relatively stable throughout 1970 and 1971. However, the net prices realized by U.S. producers declined sharply in the first half of 1972 in response to a 15-percent reduction in the published prices of major U.S. producers. This price reduction was attributable to widespread price discounting and loss of sales, particularly in the

west coast market and in port cities where LTFV imports were to be entered. The fact that the price reduction and discounting preceded the large influx of LTFV imports is not unusual when it is recognized that the importations of this type of merchandise are made some time after the sales are made. Despite the decline in U.S. producers' prices, the availability of LTFV imports at prices which ranged from 5 to 35 percent below domestic producers' prices for certain representative items enabled Japanese importers to increase their share of the U.S. market for expanded metal in 1972.

Although U.S. producers' published prices recovered to the 1970 and 1971 levels in December 1972, the price depression that was experienced in 1972 denied U.S. producers an opportunity to offset increasing production costs and led to the reduction in profits which is discussed below.

#### Profit-and-loss experience of domestic producers

The ratio of net operating profits to net sales for seven U.S. producers that provided the Commission with financial data on their expanded metal operations declined from 10.2 percent in 1969 to 6.1 percent in 1970, increased to 7.5 percent in 1971, and then declined again to 6.0 percent in 1972, a year in which Treasury found significant LTFV imports and a year in which the same seven producers experienced a 22-percent increase in the aggregate value of their shipments of expanded metal.



### Conclusion

In summary, the LTFV imports have permitted the Japanese suppliers to obtain an increasing share of the U.S. market for expanded metal, particularly in the seven Western States and in certain port cities. The dumping margins undergirded substantial margins of underselling of the imported expanded metal, triggering a sharp decline in U.S. producer prices for this material in 1972. This depression of prices resulted in a decline in the ratio of net operating profits to net sales of U.S. producers in 1972. Accordingly, we have determined that an industry in the United States is being injured by reason of the importation of expanded metal of base metal from Japan that is being sold at LTFV.

Statement of Reasons of Vice Chairman Parker  
and Commissioner Ablondi

In our opinion, no basis exists for making an affirmative determination in this investigation. In making this determination, we have considered the relevant industry to consist of all facilities in the United States used in producing expanded metal of base metal.

In 1972, Japanese LTFV imports of expanded metal of base metal represented slightly more than 3.5 percent of apparent U.S. consumption, the highest percent of the 5-year period 1968-72. Moreover, data available for 1973 indicates an even lower percent. In our judgment, such a level of penetration does not provide justification for a determination of injury to this industry. In arriving at this conclusion, we have looked into the alleged existence of a separate market area consisting of the seven Western States. We do not find a factual basis for treating these states as a market area for the purposes of the Antidumping Act. Significant shipments of expanded metal are marketed in these states by producers located elsewhere in the United States; also, shipments of West Coast producers are marketed outside these Western States. Another factor involved is the absence of compelling evidence that the marketing of Japanese LTFV imports was concentrated in the Western States. No evidence was obtained showing sales lost to LTFV Japanese imports.

Production facilities for expanded metal in the seven Western States were operated by a single domestic producer prior to 1970. Other domestic producers who marketed their output in that region

had the competitive disadvantage of higher freight costs. In 1970, a second domestic producer began production of expanded metal within the region thereby increasing competition in the market. The rapid increase in market share acquired by this producer was a new competitive factor which undoubtedly resulted in a loss of sales by other domestic producers marketing in that area. In addition, the second producer began production in the face of known Japanese competition of expanded metal sold at prices lower than those of domestic producers.

Prices of several of the major producers for expanded metal declined sharply throughout the United States in the first half of 1972 as a result of a 15-percent price reduction by a large U.S. producer. This action--which does not appear to have been a specific response to Japanese competition--compelled other domestic producers to follow with similar price reductions. In the latter half of 1972, prices returned to their previous level by a 10-percent price increase in June and another increase of 5 percent in December. Thus, the evidence indicates that the price depression that occurred was the result of efforts by a U.S. producer to increase its market share and not the result of imports found by Treasury to have been sold at LTFV.

The price differential between domestic and Japanese expanded metal narrowed significantly during January 1970-September 1973, indicating that Japanese imports have become less competitive and that Japanese imports were not the causative factor for the price depression that occurred in the first half of 1972.

Although unit profits of seven U.S. producers of expanded metal declined in 1972 as compared with 1971, total profits of these producers were virtually the same in both years.

The average number of production and related workers engaged in producing expanded metal at domestic establishments increased from 288 workers in 1971 to 311 in 1972 and to 335 during January-September 1973. Thus, the level of employment was not adversely affected by Japanese sales at LTFV.

In view of the strong demand for steel in Japan and throughout the world and the currency revaluations, Japanese suppliers have sharply reduced their production for the United States market. Total U.S. demand has continued strong and domestic shipments in the first nine months of 1973 have increased 18 percent over those in the same period of 1972.

In our opinion, an industry in the United States is not being injured, or is not likely to be injured, by reason of the importation of expanded metal from Japan determined by the Treasury Department to be sold, or likely to be sold at less than fair value within the meaning of the Antidumping Act. Moreover, there is no evidence that an industry is prevented from being established.