

TANTALUM ELECTROLYTIC FIXED CAPACITORS FROM JAPAN

Determination of No Injury
in Investigation No. AA1921-159
Under the Antidumping Act,
1921, as Amended

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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(AA1921-159)

TANTALUM ELECTROLYTIC FIXED CAPACITORS FROM JAPAN

Determination

On the basis of information obtained in investigation No. AA1921-159, as that information is modified by the corrected import statistics for tantalum electrolytic fixed capacitors from Japan for the period January 1975 through June 1976, the Commission determines (Commissioners Moore and Bedell dissenting) that as of October 22, 1976, the date of the Commission's earlier determination regarding tantalum electrolytic fixed capacitors from Japan, an industry in the United States was not being and was not likely to be injured, and was not prevented from being established, by reason of the importation of tantalum electrolytic fixed capacitors from Japan sold, or likely to be sold, at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Background

In October 1976 the Commission determined that an industry in the United States was not being injured and was not likely to be injured, and was not prevented from being established, by reason of the importation of tantalum electrolytic fixed capacitors from Japan sold, or likely to be sold, at less than fair value (LTFV). The Commission's determination was appealed to the United States Customs Court on September 14, 1977. 1/

1/ Sprague Electric Company v. United States (Customs Court No. 77-9-03056).

Subsequent to the Commission's determination, it was discovered that certain of the official import statistics relied upon by the Commission in reaching its determination had been underreported. Specifically, a Bureau of the Census/Customs Service investigation revealed that the quantities of tantalum electrolytic fixed capacitors imported from Japan in 1975 and the first six months of 1976 (the most recent period for which official import statistics were available at the time of the Commission's determination) were substantially understated.

On March 27, 1980, the Customs Court issued an order in the Sprague Electric appeal directing the Commission to take--

a new vote on the question of whether, in light of the correct import statistics for tantalum electrolytic fixed capacitors from Japan, sales of such merchandise at LTFV were injuring or were likely to injure an industry in the United States within the meaning of the Antidumping Act of 1921....1/

On May 23, 1980, the Customs Court modified its earlier directive to the Commission by instructing the Commission to--

consider in its deliberations on remand the effect of Nippon Electric Company's plans to increase productive capacity for, and exportation to the United States of, epoxy dipped tantalum electrolytic fixed capacitors. 2/

In the opinion accompanying its order of May 23, 1980, the Customs Court expressed agreement with the view that the Department of Treasury's July 1976 final determination of sales at LTFV was binding upon the Commission as a

1/ C.R.D. 80-3 (March 27, 1980).

2/ C.R.D. 80-6 (May 23, 1980).

matter of law, and that the Commission had no authority to refine or modify the class or kind of merchandise found to be, or likely to be, sold at LTFV.

In arriving at its determination in this matter, the Commission has given due consideration to written submissions received from interested persons, information obtained during the course of investigation No. AA1921-159, and the corrected official import statistics for tantalum electrolytic fixed capacitors from Japan for the period January 1975 through June 1976 as reported by the Bureau of the Census. With the exception of the corrected import statistics, the Commission has not considered any information obtained subsequent to the date of its earlier determination.

Views of Chairman Bill Alberger, Vice Chairman
Michael J. Calhoun, and Commissioner Paula Stern

In accordance with the instructions of the United States Customs Court, we have reviewed the confidential staff report of September 1976 and the statement of reasons in the Commission's report on Tantalum Electrolytic Fixed Capacitors, USITC Publication 789, October 1976, as revised to reflect corrected import statistics. In our deliberations we have considered all imports of tantalum electrolytic fixed capacitors from Japan less those from Matsushita Electrical Industrial Co., Ltd., as sales at less than fair value (LTFV) for the purpose of addressing present and future injury.

We are persuaded that any injury suffered by the U.S. industry as of October 22, 1976, was not caused or likely to be caused by LTFV imports of tantalum electrolytic fixed capacitors (tantalum capacitors), but rather by the recessionary forces at work in the electronics industry. Taking into account the corrected import statistics, as well as the modification of the content of LTFV sales, we believe that the penetration of the U.S. market and the underselling of U.S. producers were not of sufficient magnitude to warrant a determination of injury by reason of LTFV sales.

Product and domestic industry

Capacitors are devices for storing electrical energy in the form of electrons in an electric circuit. Tantalum capacitors are especially suitable for applications in which high reliability, long service, long shelf life, and high capacity to volume ratios are needed. Of the three types of tantalum electrolytic fixed capacitors, the solid type accounted for 90 percent of the U.S. market and virtually all of the LTFV imports.

We consider the relevant industry in this determination to be those facilities in the United States where tantalum capacitors are produced. There were 14 firms which operated 17 establishments producing tantalum capacitors in the United States in 1975.

No injury by reason of LTFV imports

Japanese LTFV imports fell sharply in 1975 after reaching a high in 1974. Although such LTFV imports increased in the first six months of 1976 over that of 1975, other relevant indices show a concurrent improvement in the health of the U.S. industry.

Data for the January-June 1976 period reveal the degree of recovery in the domestic tantalum capacitor industry. U.S. consumption of tantalum capacitors increased 45 percent during the first 6 months of 1976 from the same period in 1975. During this same period, U.S. production and shipments had so improved over levels in 1975 (37 percent) that the domestic producers were again producing at levels achieved during 1973 and 1974, years showing high capacity utilization, sales, production, shipments, and net profit to net sales ratios of 10 percent.

Capacity utilization by the end of June 1976 showed an industry on its way to recovery with growing utilization rates, substantially above those achieved during the economic downturn. Financially, U.S. producers of tantalum capacitors fared much better during the recession than the electronics industry in general, having a profit to sales ratio in 1975 about twice the level for the broader industry. Further, by January-June 1976, producers accounting for the bulk of domestically produced tantalum capacitors

were experiencing increasing profits and high ratios of net operating profits to net sales. Employment in the domestic tantalum capacitor industry increased during the first six months of 1976 after large reductions during 1974 and 1975.

The share of U.S. apparent consumption held by both solid tantalum capacitors (the category where imports would have affected the market most) and tantalum electrolytic fixed capacitors as a whole increased throughout the period 1974-1976. Increases in shipments of domestically produced tantalum capacitors exceeded the market gains achieved by LTFV imports during this same period. Only the major supplier of LTFV capacitors consistently undersold domestic producers. During 1975 and January-June 1976, domestic tantalum capacitors undersold Japanese-made tantalum capacitors in about three out of four instances where they met in the market. Further, in almost two-thirds of those instances where the Japanese-made capacitor was priced lower, the Japanese LTFV import was not purchased. Instances of U.S. firms underselling other U.S. firms were more than double those of Japanese imports underselling a domestic firm. Taking into account the corrected import statistics, as well as the modification of the class or kind of LTFV imports, we believe that the penetration of the U.S. market and the underselling of U.S. producers were not of sufficient magnitude to warrant a determination of injury by reason of LTFV sales.

No likelihood of injury by reason of LTFV imports

Information obtained during the investigation indicated that Japanese producers were increasing their capacity to produce tantalum capacitors in 1976 and 1977 and that some of the increased production would likely be exported to the United States. The information was obtained from three

separate sources and was incomplete in that data from each source could not be correlated with the other sources. Further, the estimated increased capacity was not related to a base capacity such that the magnitude of the capacity increase could be quantified reliably. We believe that the information available to the Commission was not sufficient to impute a likelihood of injury. To the contrary, the domestic industry--growing before the recession--gave every indication that it was again growing in January-June 1976 after the recession abated. During the recession, the industry producing tantalum capacitors fared much better than the electronics industry as a whole.

Consideration of Nippon Electric Company's plans to increase productive capacity for, and exportation to the United States of, epoxy dipped tantalum capacitors in and of itself does not establish grounds for a determination of likelihood of injury by reason of LTFV sales. We do not believe that an increase in the capacity of Japanese producers to manufacture tantalum electrolytic fixed capacitors portended a threat to a strong and growing industry in the United States. The evidence gathered by the Commission regarding any increased exports from Japan did not show real and imminent threat to the domestic industry. 1/

Findings of Fact

Paragraph 3 of the order of the U.S. Customs Court of March 27, 1980, (CRD 80-3) directed the Commission to submit to the Court its new determination "together with a complete statement of findings and conclusions, and the reasons or bases thereof, on all material issues of fact or law presented, including the

1/ Since there is an active domestic industry in the United States producing tantalum electrolytic fixed capacitors, prevention of establishment of an industry is not an issue.

materiality of the corrected import statistics on the Commission's new determination." Our findings of fact and conclusions of law are as follows:

A. Volume of imports

1. The volume of U.S. imports of tantalum capacitors from Japan rose from 7.0 million units in 1972 to 18.3 million units in 1973 to 32.2 million units in 1974 before falling to 22.0 million units in 1975. The volume of LTFV imports (Japanese imports less Matsushita) from Japan experienced "about a one-third" decline from the 1974 level to 1975. Imports during January-June 1976 were approximately twice the level of the corresponding period of 1975. (Report at p. 68, p. 86, tables 2, 19)

2. Although LTFV imports from Japan increased as a share of the U.S. market for tantalum capacitors throughout the period of investigation, at no time did the share of total U.S. consumption held by LTFV imports equal 10 percent. (Report at p. 86, table 19)

3. Japanese producers were increasing their capacity to produce tantalum capacitors in 1976 and 1977, although the magnitude of this projected increase could not be quantified reliably. Some of the increased production would likely be exported to the United States. (Report at pp. 30-31)

B. Effect of imports on U.S. price

4. The average weighted prices of all Japanese importers' (except one) of tantalum electrolytic fixed capacitors were lower than the domestic producers' average weighted delivered prices from 1972 to 1976. However, during 1975 and January-June 1976, Japanese-made capacitors were priced below U.S.-made capacitors in only about 25 percent of the instances where they met in the market-place. In nearly two-thirds of those instances, the Japanese-made

capacitor was not purchased. In cases where the Japanese-made capacitor was purchased, the quantities purchased were small in comparison with the purchases of U.S.-made capacitors. In most price comparisons involving actual sales transactions, U.S.-produced capacitors sold below the price of Japanese-produced products. Sales lost by U.S. producers compared with the recession-induced drop in demand were minimal (Report at pp. 34-37).

5. Two Japanese firms accounted for a majority of LTFV sales during the period of investigation. The LTFV margins of Matsushita, a major source of Japanese tantalum capacitors, were found by the Treasury Department to be de minimis. Only one major supplier of LTFV Japanese-made capacitors consistently undersold the domestic producers. Price suppression and price depression were not likely as a result of LTFV sales. The worldwide recession of 1975 in the electronics industry, rather than LTFV imports, caused most decreases in prices. (Report at pp. 33, 37, 44, 46, and 48)

Impact on an affected industry

6. U.S. producers' shipments had decreased from 441 million units in 1974 to 300 million units in 1975, a 32 percent decline during the height of the economic recession. However, domestic producers' shipments of tantalum capacitors jumped 37 percent from 156.7 million units in January-June 1975 to 217.1 million units in January-June 1976. (Report at p. 72, table 6)

7. Domestic consumption of tantalum capacitors decreased from 845 million units in 1974 to 527.5 million units (corrected data) in 1975, a drop of 38 percent during the period of the economic downturn. However, U.S. consumption of tantalum capacitors rose from 228.2 million units (corrected data) in January-June 1975 to 329.5 million units (corrected data) in January-June 1976, a 45 percent increase. (Report at p. 85, table 18)

8. The share of U.S. apparent consumption of tantalum capacitors held by domestic producers (based on quantity) increased from 62.1 percent in 1974 to 70.5 percent in 1975 and continued to increase in January-June 1976. U.S. market share of solid tantalum electrolytic fixed capacitor consumption held by domestic producers (based on quantity) experienced similar increases. These gains in market share exceeded those achieved by Japanese LTFV imports throughout the period of investigation with respect to both the individual solid tantalum capacitor and the general tantalum capacitor market. (Report at pp. 68-69, pp. 85-86, tables 2, 3, 18, and 19)

9. Sales and profitability of the domestic producers increased during January-June 1976 as compared to the first half of 1975. Only one minor producer provided profit-and-loss information that showed a slight decline in profits and net operating profits to net sales ratio. Domestic producers of tantalum capacitors fared better than the norm for the electronics industry as a whole, having a profit-to-sales ratio approximately twice the level achieved by all makers of electrical and electronic equipment in that year. Net operating profits dropped from 10 percent in years 1973-1974 to 5 percent in 1975, a year in which imports dropped sharply and where market shares held by Japanese produced imports were very low. (Report at pp. 26-29)

10. U.S. producers' year-end inventories of tantalum capacitors experienced a general rise throughout the investigative period although year-end inventories declined by 3 percent from 1974 to 1975. (Report at p. 18 and table 7)

11. Employment in U.S. establishments where tantalum capacitors are produced reached its low point in 1975 and then increased 7 percent during January-June 1976. The large reduction in employment during 1974-1975 was almost entirely attributable to the recession. (Report at pp. 22-23, tables 10 13-14)

12. Capacity utilization for all major domestic producers of tantalum capacitors recovered to a range of 40 to 78 percent during January-June 1976 after the general industry decline in 1975. With the exception of 1 major firm, the industry had been operating in the 25 to 50 percent capacity utilization range in 1975.

Conclusions of Law

1. As of October 22, 1976, an industry in the United States was not being and was not likely to be injured by reason of the importation of tantalum electrolytic fixed capacitors from Japan that were sold, or were likely to be sold, at LTFV within the meaning of the Antidumping Act, 1921, as amended.

2. Our determination is not materially affected either by consideration of the corrected import statistics or by the change in the class or kind of merchandise covered by the final LTFV sales determination of the Department of the Treasury.

Statement of Reasons for Affirmative Determinations of
Commissioners Moore and Bedell

Introduction

When the Commission determined by a 5 to 1 vote in October 1976 that an industry in the United States was not being injured and was not likely to be injured by imports of tantalum electrolytic fixed capacitors from Japan sold, or likely to be sold, at less than fair value ("LTFV"), we voted with the majority. Our negative determinations at that time were based in part on official import statistics for tantalum capacitors from Japan subsequently discovered to have been substantially underreported, and in part on our view that the anticipated increase in exports to the United States of "epoxy dipped" tantalum electrolytic fixed capacitors manufactured by Nippon Electric Co. ("NEC") should not be used as a basis for finding likelihood of injury. Our view in the latter regard was based on the fact that the Treasury Department had found no margins on NEC's sales of epoxy dipped capacitors.

The United States Customs Court has now remanded the Japanese capacitors case to the Commission with instructions to take --

a new vote on the question of whether, in light of the correct import statistics for tantalum electrolytic fixed capacitors from Japan, sales of such merchandise at LTFV were injuring or were likely to injure an industry in the United States within the meaning of the Antidumping Act of 1921

The Court has also directed the Commission to consider in its deliberations the effect of NEC's plans to increase productive capacity for, and exportation to the United States of, epoxy dipped tantalum electrolytic fixed capacitors.

In reconsidering our earlier determinations in light of the Customs Court's decisions, we find ourselves in substantial agreement with the dissenting views of former Commissioner Parker on the question of likelihood of injury. 1/ Thus, we now find that, as of the date of the Commission's earlier determination, an industry in the United States was likely to be injured by reason of the importation from Japan of tantalum electrolytic fixed capacitors which the Treasury Department had determined were likely to be sold at LTFV.

Likelihood of injury

In accordance with what we believe to be our mandate from the Customs Court, we have considered the class or kind of merchandise sold, or likely to be sold, at LTFV in this case to be all Japanese tantalum electrolytic fixed capacitors except those sold by Matsushita Electrical Industrial Co., Ltd. The combined effect of considering (1) all Japanese capacitors except those sold by Matsushita and (2) the revised import statistics, is to almost triple the ratio of LTFV imports to apparent U.S. consumption for 1975 and the first six months of 1976. Thus, for 1975 the ratio increases from ** percent to ** percent; for the first six months of 1976 the ratio increases from ** percent to ** percent. The corresponding ratios for 1972, 1973, and 1974 were ** percent, ** percent, and ** percent, respectively. 2/ It is evident from these figures that the portion of U.S. apparent consumption

1/ Statement of Reasons for Affirmative Determination of Commissioner Joseph O. Parker, Tantalum Electrolytic Fixed Capacitors from Japan, USITC Publication 789 (October 1976).

2/ The official import statistics for tantalum capacitors from Japan for 1972, 1973, and 1974 have not been revised by the Bureau of the Census.

accounted for by LTFV imports increased steadily during the period January 1972 through June 1976. We regard this increasing trend as an important indication that the U.S. tantalum capacitor industry was faced in October 1976 with the likelihood of injury.

During its earlier investigation, the Commission obtained information from several sources indicating that Japanese capacity to produce tantalum capacitors would increase in 1976-77 and that NEC, by far the largest Japanese manufacturer of tantalum capacitors, planned to increase substantially its capacitor exports (primarily epoxy dipped) to the United States in 1977. The projected increase in Japanese productive capacity was believed to be far in excess of home-market demand. NEC's increased exports to the United States were scheduled to come at a time when price competition in the U.S. market for tantalum capacitors was intensifying, and when the domestic industry was still struggling to recover fully from the economic recession of 1975. In our judgment, the prospect of sharply increased exports to the United States of tantalum electrolytic fixed capacitors posed a likelihood of injury to the domestic industry in October 1976.

Other factors supported the view in October 1976 that increased imports of Japanese tantalum capacitors posed a likelihood of injury to the domestic industry. Since 1972, Japanese suppliers had exported an increasing share of their production of tantalum capacitors to the United States. By 1976 those suppliers had been able to establish commercial relationships with several of the largest U.S. users of capacitors, users accustomed to purchasing large quantities of capacitors in a single transaction. Formerly, domestic producers had supplied the bulk of capacitors sold in that market since that was an area where domestic producers had been able to compete successfully with the Japanese.

INFORMATION OBTAINED IN THE INVESTIGATION

With the exception of the data on imports of tantalum electrolytic capacitors, the staff report to the Commission in this investigation is identical to that before the Commission in October 1976, when the Commission made its prior injury determination. Attached is a table showing the data on imports that were available to the Commission in October 1976 and the corrected import data that were before the Commission at the time of the August 1980 determination. Copies of the public version of the October 1976 report, Tantalum Electrolytic Fixed Capacitors From Japan, USITC Publication 789, are available upon request from the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436.

Tantalum Electrolytic Fixed Capacitors: U.S. imports for consumption, total
and from Japan, 1972-1975, January-June 1975, and January-June 1976

Period	Imports from	Imports from all	Total
	Japan	other countries	imports
	Quantity (1,000 units)		
1972-----	7,032	88,578	95,610
1973-----	18,272	143,859	162,131
1974-----	32,154	185,504	217,658
1975 <u>1</u> /-----	14,948	76,419	91,367
1975 <u>2</u> /-----	22,020	79,130	101,150
Jan.-June--			
1975 <u>1</u> /-----	7,851	41,023	48,874
1975 <u>2</u> /-----	9,569	41,023	50,592
1976 <u>1</u> /-----	13,769	56,821	70,590
1976 <u>2</u> /-----	19,328	56,821	76,149
	Value (1,000 dollars)		
1972-----	402	6,222	6,624
1973-----	1,282	11,518	12,800
1974-----	3,052	21,047	24,099
1975 <u>1</u> /-----	1,471	10,137	11,608
1975 <u>2</u> /-----	2,177	10,559	12,736
Jan.-June--			
1975 <u>1</u> /-----	935	5,919	6,854
1975 <u>2</u> /-----	1,113	5,919	7,032
1976 <u>1</u> /-----	1,302	6,417	7,719
1976 <u>2</u> /-----	1,948	6,417	8,365

1/ Data available to the Commission at the time of its October 1976 determination.
2/ Corrected data which were available to the Commission at the time of its August 1980 determination.

Source: Compiled from official statistics of the U.S. Department of Commerce.

