

UNITED STATES TARIFF COMMISSION

FERRITE CORES FROM JAPAN

Determination of Injury
in Investigation No. AA1921-65
Under the Antidumping Act, 1921,
As Amended



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UNITED STATES TARIFF COMMISSION

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[AA1921-65]

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Determination of Injury

The Assistant Secretary of the Treasury advised the Tariff Commission on October 28, 1970, that ferrite cores (of the type used in consumer electronic products) from Japan are being, and are 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 (19 U.S.C. 160(a)), the Tariff Commission instituted Investigation No. AA1921-65 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 December 8, 1970. Notice of the investigation and hearing was published in the Federal Register of November 4, 1970 (35 F.R. 17012).

In arriving at a determination in this case, 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 the investigation, the Commission determined by a vote of 3 to 2 ^{1/} that an industry in the United States is being injured by reason of the importation of ferrite cores (of the type used in consumer electronic products) from Japan sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons for Affirmative Determination by
Commissioners Sutton, Clubb and Moore

In our opinion an industry in the United States is being injured by reason of the importation of ferrite cores of the type used in consumer electronic products from Japan, which are being sold at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. Moreover, there is a likelihood of greater injury to the industry should the amounts of price discrimination not be offset by special dumping duties.

The industry

In making this determination under section 201(a) of the Antidumping Act, we have considered the injured industry to consist of the operations of all U.S. facilities producing ferrite cores of the type covered by Treasury's determination of sales at LTFV.

^{1/} Commissioners Sutton, Clubb and Moore determined in the affirmative. Commissioners Leonard and Young determined in the negative. Their statement of reasons follow. Chairman Mize did not participate in the investigation.

Imported product

The ferrite cores from Japan, determined by Treasury to be sold at LITFV, consist of cores of a type commonly used as components in consumer electronic products such as household television receivers, radios, stereo and high fidelity radio systems, and automobile radios. Of all the LITFV imported cores, deflection yoke cores and flyback cores which are used in television receivers reflected the major volume (about 80%) of the imports; other significant LITFV imports (about 20%) consisted of L-shaped cores, threaded cores, insert cores, antenna rod cores, and drum cores. Hereinafter, the use of "ferrite cores" has reference to cores of the type covered by Treasury's determination of sales at LITFV unless the context indicates otherwise.

During the investigation an issue arose as to whether certain imports of "pot cores" from Japan were within the scope of Treasury's determination of sales at LITFV (i.e., were they ferrite cores of a type used in consumer electronic products). We were unable to identify any imports of pot cores of a type commonly used in consumer electronic products. Accordingly, the known imports of pot cores did not enter into our considerations in this investigation.

Claims of interested parties

Representatives of the industry claim that they are suffering serious injury from the imports of ferrite cores from Japan which

were sold at LTFV and that they are likely to be further injured if such imports continue. However, they deny that the totality of injury suffered from such imports must be attributable solely or primarily to sales at LTFV if an injury determination is to be made in this case. Rather, they claim that if the degree of injury caused solely by the dumping practice is more than de minimis the Commission must determine there is injury. We agree with this premise.

Representatives of the importers claim that injury to the domestic industry is attributable primarily, if not solely, to factors other than sales at LTFV and, therefore, a negative determination must be made. We agree that if injury is attributable solely to factors other than sales at LTFV, an affirmative finding should not be made in this case. However, if injury is attributable in part to the LTFV sales of the ferrite cores and such injury is more than de minimis, we must make an affirmative determination. The relative importance of such injury to injuries caused by other factors is irrelevant.

The industry claims that the sales at LTFV have caused market disruptions and a serious depression in the U.S. prices for the ferrite cores with resulting loss of profits as its injury. The

importers of LITV ferrite cores claim essentially that the depressed prices are a result of factors other than sales at LITV, the major causal factor seemingly being a diminishing market for the cores.

Size of the U.S. Market

The U.S. market for ferrite cores has had a general growth for over two decades. Sales of such cores in 1965, the year prior to the start of substantial sales and offers of sales of LITV Japanese cores, were about at their highest level to date. It is therefore considered conservative to use the quantity of sales of such cores in that year as a "norm" year. In 1966, the quantity of sales of ferrite cores in the United States reached its highest peak, a phenomenon caused by a rapid surge in the production and sale of color TV sets. Thereafter, the quantities of sales continued at a high plateau for three years (1967 through 1969) with an average volume 31 percent higher than in the "norm" year. Estimated sales of ferrite cores in 1970 indicate diminishing sales during that year; however, as most prices were appreciably depressed during the high plateau years 1967 through 1969, the size of the market in 1970 has little bearing on our consideration of the effect of LITV imports since the major surge of sales, and offers of sales, of the LITV imports of cores in the domestic market occurred in the high plateau period.

Price levels in the market

As previously stated, the quantity of sales of ferrite cores in the U.S. market increased in 1966 when sales of TV sets surged higher. In that year the unit values of ferrite cores rose somewhat. However, in the high plateau period when the quantity of sales continued at an average level much higher than the "norm" year, the dollar value of sales and average unit prices had a continuous drop with unit values falling far below the unit values existing in the "norm" year.

Comparisons of delivered prices

About 80 percent of the value of all LTFV imports consisted of deflection yoke cores and flyback cores. Sales of such cores in the domestic market during the high plateau period were found to be always at delivered prices (or their equivalents) far below the delivered prices for the comparable domestic cores. Domestic prices of such ferrite cores were incrementally lowered during the high plateau period with aggregate price reductions ranging from 16 to 44 percent of the former domestic prices. During the plateau period, prices of the Japanese cores had incremental drops ranging in the aggregate from 22 to 29 percent of their original low prices in the United States. Prices for such LTFV cores were virtually, if not always, below the prices of their domestic counterparts. In the early stages of competition between the LTFV cores and domestic cores, the price differentials were somewhat greater than

the margins of dumping (amounts of price discrimination): however, such price differentials were narrowed to such a point that they could be equated generally with the dumping margins in mid 1969 when the continued downward pricing of Japanese cores slowed, a time in which imports had diminished to a minor level in apparent concern over this dumping investigation.

About 20 percent of the value of all LTFV imports of ferrite cores consisted of cores having smaller unit values than those for the cores discussed immediately above. Available price data indicates that the imported LTFV cores in this category were generally sold at delivered prices (or their equivalents) that were considerably lower than the delivered prices for their domestic counterparts. Moreover, the margins of underselling appeared to be dependent in large part, if not solely, upon the large margins of dumping found by Treasury to be prevalent among such imports.

Price depression

It is clear that 80 percent of the imports at LTFV have been sold at quite low price levels which have caused serious depressions in domestic market prices. The injury ensuing from such price depressions is not all attributable to the margins of dumping; however, such injury is attributable in substantial part to such margins and constitutes a substantial injury in itself which is more than de minimis. As to the remaining 20 percent of the LTFV

imports, this portion of the industry's sales has suffered serious price depressions attributable largely to the dumping margins which are appreciable in size.

Conclusion

The disruptions in the U.S. market prices for ferrite cores of a type used in consumer electronic products are quite large and of a serious nature. They are attributable in large measure to the margins of dumping which undergird the low prices of such cores in the United States. Such disruptions, to the extent they are attributable to the dumping margins, are substantial; they cannot be viewed as de minimis because other factors may also be contributing in large part to the price disruptions. Accordingly, we conclude that LTFV imports from Japan are injuring an industry in the United States. Moreover, if such imports are permitted to continue at their last known price levels without the assessment of special dumping duties to offset the margins of dumping, it can be anticipated that domestic prices will take a further downward trend because the domestic industry has not yet met the lowest prices of the Japanese LTFV ferrite cores. Thus, as even greater injury can be anticipated, we conclude that the likelihood of injury to the domestic industry by reason of such imports at LTFV is even greater than the present injury.

Statement of Reasons for Negative Determination of
Commissioners Leonard and Young

The Antidumping Act, 1921, as amended, requires that three conditions be satisfied before an affirmative determination can be made.

First, there must be dumping. Unless the Secretary of the Treasury has determined "that a class or kind of foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value," the Tariff Commission has no basis upon which to institute an investigation.

Second, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established. The quantum or description of injury is not disclosed in the statute.

And third, there must be a connection between the first two conditions, that is, the 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 the Treasury determines is being or is likely to be sold at less than fair value. Although few determinations in the past have dealt explicitly with this third condition, it is an integral part of the law which must be fulfilled before an affirmative determination

can be made.

The first condition, a determination by the Secretary of the Treasury of sales and the likelihood of sales at less than fair value of ferrite cores from Japan of the type used in consumer electronic products (CEP), was met, and the Commission instituted the instant investigation.

The second condition has been satisfied. There is injury and likelihood of injury to the domestic industry composed of ferrite core producers in the United States. The injury is a depression in the prices at which the domestic ferrite core producers sold their products and offered them for sale.

However, we make a negative determination because we do not find satisfied in the instant case the third condition of the statute, that injury (or likelihood of injury or prevention of establishment) is "by reason of" the importation of merchandise sold or likely to be sold at less than fair value. The facts uncovered in this investigation do not show cause and effect relationship between the importation of Japanese ferrite cores sold or likely to be sold in the United States at less than fair value and injury or likelihood of injury, i.e., price depression, to the domestic ferrite

core industry. 1/ What the facts do show follows.

Market conditions

The domestic CEP ferrite core industry in recent years has encountered steadily increasing competition from imports of consumer electronic products (television sets and radios) containing CEP ferrite cores. There is only nominal production and trade in CEP ferrite cores other than those used in television sets and radios. In these circumstances the domestic production and consumption of radios and television sets are a most important consideration in assessing market demand for CEP ferrite cores.

From 1964 when imports of television sets were 7.7 percent of domestic consumption, the share of the domestic market enjoyed by imports rose to 31.5 percent in 1969. For radios, during this period the increase was from 44.3 to 70.9 percent. Aside from the increased share of the market for television sets taken by imports, apparent consumption declined from a high of 12.2 million sets in 1966 to 10.9 million in 1969. Accordingly, the number of television sets produced in the United States dropped from a high of 11.7 million sets in 1966 to 8.9 million in 1969. U.S. radio production fell from 23 million units to 15.8 million units during this period.

1/ There is no evidence that the importation of Japanese ferrite cores sold or likely to be sold in the United States at less than fair value prevented an industry in the United States from being established; therefore, we shall not treat further with this consequence of dumping which is a statutory alternative to injury or likelihood of injury.

Since CEP ferrite cores are produced almost exclusively for use in television sets and radios, a sharp decline in demand for cores accompanied the lower domestic production of television sets and radios after 1966. The natural consequence has been a depression in ferrite core prices as domestic core producers vigorously competed for the dwindling domestic market.

Subassembly

The domestic market for CEP ferrite cores has been further diminished by increased entry into the United States of ferrite cores as parts of subassemblies. Imports of subassemblies for consumer products rose sharply in the last six years from 2.6 percent of apparent consumption in 1965 to 28 percent in 1970. The entry of subassemblies has caused decreased domestic demand for CEP ferrite cores, and again the natural concomitant is a price depression.

Import penetration

In 1965, imports of ferrite cores were insignificant, accounting for a mere 0.7 percent of domestic consumption. Although there was a one-time temporary bulge in 1967, when imports obtained 4.0 percent of domestic consumption, the import level collapsed immediately to 1.3 percent of domestic consumption in 1968. In 1969 and 1970, imports at 0.4 percent

of consumption were even below their insignificant level of 0.7 percent registered in 1965. Thus, the evidence does not point to any real market penetration, and without any real market penetration it is difficult to align price depression of domestic ferrite cores with imports. The minimal market penetration is further highlighted when it is noted that the above import figures are for all ferrite core imports from Japan, not only those sold or likely to be sold at less than fair value. For an affirmative determination to be made in the light of such a minimal market penetration, there would have to be other evidence present, generally indicating a probability on the part of the dumping party to penetrate the market sufficiently in the future. Such evidence has not been discovered in this investigation.

Price suppression or depression

During the 5-year period 1965-70, CEP ferrite core prices declined at a time when other prices in the United States economy showed a steady increase. This downward trend in ferrite core prices, which was counter to the general price level, appears to have no relationship to the level of core imports as might be assumed from the 1967 import increase. Following the rapid decrease in ferrite core

imports after 1967, domestic prices of cores continued their steady decline.

Conclusion

To sum up then, the facts produced in this investigation seem to indicate that any injury or likelihood of injury to the United States ferrite core industry measured by depressed prices is by reason of a continued worsening of competitive market conditions and not by reason of imports sold or likely to be sold at less than fair value. Therefore, a negative determination is required.

