

COMMISSION REGULATION (EEC) No 1418/88

of 17 May 1988

imposing a provisional anti-dumping duty on imports of serial-impact dot-matrix printers originating in Japan

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 2176/84 of 23 July 1984 on protection against dumped or subsidized imports from countries not members of the European Economic Community⁽¹⁾, as amended by Regulation (EEC) No 1761/87⁽²⁾, and in particular Article 11 thereof,

After consultations within the Advisory Committee as provided for by Regulation (EEC) No 2176/84,

Whereas :

A. PROCEDURE

- (1) In March 1987 the Commission received a complaint lodged by the Committee of European Printer Manufacturers (Europrint) on behalf of producers whose collective output was alleged to constitute a major proportion of Community production of the product in question. The complaint contained evidence of dumping of the product concerned originating in Japan and of material injury resulting therefrom, which was considered sufficient to justify the initiation of a proceeding. The Commission accordingly announced, by a notice published in the *Official Journal of the European Communities*⁽³⁾, the initiation of an anti-dumping proceeding concerning imports into the Community of serial-impact dot-matrix printers corresponding to CN code ex 8471 92 90 and originating in Japan and commenced an investigation.
- (2) The Commission officially so advised the exporters and importers known to be concerned, the representatives of the exporting country and the complainants and gave the parties directly concerned the opportunity to make known their views in writing and to request a hearing.

Most of the known Japanese exporters, some importers and all complainant Community producers made their views known in writing.

⁽¹⁾ OJ No L 201, 30. 7. 1984, p. 1.

⁽²⁾ OJ No L 167, 26. 6. 1987, p. 9.

⁽³⁾ OJ No C 111, 25. 4. 1987, p. 2.

Submissions were also made by a number of dealers, end users and organizations representing Community purchasers of the product.

- (3) The Commission sought and verified all information it deemed to be necessary for the purposes of a preliminary determination and carried out investigations at the premises of the following :

(a) *EEC producers :*

- Honeywell Information Systems Italia SpA, (Hisi), Italy,
- Mannesmann-Tally GmbH, Germany,
- Olivetti Peripheral Equipment SpA, Italy,
- Philips Kommunikationsindustrie AG, Germany.

These Community producers are all members of Europrint ;

(b) *Japanese exporters :*

- Alps Electrical Co. Ltd, Tokyo,
- Brother Industries Ltd, Nagoya,
- Citizen Watch Co. Ltd, Tokyo,
- Copal Co. Ltd, Tokyo,
- Fujitsu Ltd, Tokyo,
- Japan Business Computer Co. Ltd, Yokohama,
- Nakajima All Precision Co. Ltd, Tokyo,
- NEC Corporation, Tokyo,
- OKI Electric Industry Co. Ltd, Fukushima,
- Seiko Epson Corporation, Matsumoto,
- Seikosha Co. Ltd, Tokyo,
- Shinwa Digital Industry Co. Ltd, Tokyo,
- Star Micronics Co. Ltd, Shizuoka,
- Tokyo Electric Co. Ltd, Tokyo,
- Tokyo Juki Industrial Co. Ltd, Tokyo.

These exporters, with the exception of Japan Business Computer Co. Ltd, are members of the Committee of Japanese Printers (CJPRINT) ;

(c) *Importers in the Community :*

- Alps Electric Europa GmbH, Germany,
- Brother International Europa Ltd, United Kingdom,
- Brother International GmbH, Germany,
- SA Brother International Belgium NV, Belgium,

- Citizen Europe Ltd, United Kingdom,
- Fujitsu Deutschland GmbH, Germany,
- Fujitsu Europe Ltd, United Kingdom,
- Juki Europe GmbH, Germany,
- NEC Business Systems (Deutschland) GmbH, Germany,
- NEC Business Systems (Europe) Ltd, United Kingdom,
- Okidata GmbH, Germany,
- Epson (UK) Ltd, United Kingdom
- Epson Deutschland GmbH, Germany,
- Seikosha GmbH, Germany,
- Star Micronics Deutschland GmbH, Germany,
- Star Micronics Ltd, United Kingdom,
- Toshiba Euroipa (IE) GmbH, Germany,
- Toshiba Information Systems (UK) Ltd, United Kingdom.

- (4) The Commission requested and received detailed written submissions from the complainant Community producers, most exporters and a number of importers, and verified the information therein to the extent considered necessary.
- (5) The investigation of dumping covered the period from April 1986 to March 1987 inclusive (investigation period).

B. PRODUCT UNDER CONSIDERATION AND LIKE PRODUCT

- (6) Within the context of this proceeding, a number of issues have arisen regarding the product under consideration and the definition of the like product.

(a) *Product under consideration*

- (7) The products under consideration are serial-impact dot-matrix (SIDM) printers. These printers are 'computer printers' which means that they are computer driven, i.e. they do not function independently of their base computer and print only information which is already contained in the computer. Their printing technology is that of impact by which a striking mechanism (usually a hammer or a print head) strikes an inked ribbon to cast a figure on paper or other print medium. The predominant impact technologies are SIFF (see point 19) and SIDM printers. The particularity of the latter is that it prints a character, figure or image using a single print head which casts a series of single minute dots on the print medium. These

dots are printed by electronically activated needles which are in the print head. The different groupings of the dots form the different characters, figures, graphics or images.

- (8) There are numerous different SIDM printer models on the Japanese and Western European markets, ranging from relatively cheap mass-produced low-cost printers aimed at the micro- and mini-computer markets, to expensive heavy-duty printers used in data processing to generate high volumes of printed material. Between the low and high ends of the market, there is a great variety of different printer models to meet the requirements of different kinds of end users. In total, there are about 800 different printer models on sale in Western Europe.
- (9) As far as the print technique is concerned, the main difference between all these models is the fact that the print heads comprise different numbers of needles (pins). During the period under investigation, of the printers on the market, the dot-matrix print heads contained nine, 18 or 24 pins. According to the information available to the Commission, there are actually printers with a 27-pin print head on the market, and a printer model with a 48-pin print head is expected before the end of 1988. A 24-pin print head gives better print quality than a nine-pin print head due to the better resolution of the dots. However the 18-pin print heads are generally regarded as producing print of equal quality to that of the 24-pin print head. In this respect it should be noted, on the one hand, that print quality can be improved by multiple passes of the print head over the same character, which however reduces the print speed, and on the other hand, that 24-pin print heads are essential for printing Japanese characters. The current classification of the different print qualities are 'draft quality', 'near letter quality' (which can be achieved by almost all print heads) and 'letter quality', which is reserved for 18, 24 or more pin print heads.
- (10) The various SIDM printers on the Japanese and European markets vary not only in the differences in the number of needles contained in the print head, the configuration of these needles, the speed at which characters are printed, the size and the weight of the printer, and the quality of the printouts, but also in a huge variety of software applications, features, specifications, accessories and interfaces, each of which might be considered by end users in evaluating a given mode.

(b) *Like product determination*

- (11) In order to determine the like product in these proceedings, where a huge variety of printers is concerned, the Commission's analysis had to look at whether SIDM printers destined for the Japanese and Community markets, SIDM printers imported from Japan and the Community-produced printers, and the different SIDM printer models on the Community market form one single category of products or whether they fall into different categories separated by clearly defined dividing lines. In this respect, the Commission had first to examine the physical and technical characteristics of the printers. Secondly, when assessing the closeness to and resemblance of the different products, it had also to take into account their application and use. Thirdly, the Commission took the view that in these proceedings the like product determination cannot be separated from the particularities of the printer market in question and the consumers' perceptions of these products. Finally, with regard to the different types of printer models, the Commission thought it should also consider other factors in order to find whether a clear dividing line exists.
- (12) As regards the physical and technical characteristics, the Commission has considered firstly that all SIDM printers are based on the same technology as described above and their basic physical and technical characteristics are identical. As far as the different number of needles in the print head, the different arrangement of the needles within the print head (parallel or staggered), the different print speed, the different size and weight, the different features and specifications, accessories, softwares or interfaces are concerned, all these differences may have effects on the quality and the application of the printers but do not change their basic physical and technical characteristics. Moreover, the Commission took the view that differences in physical or technical characteristics should not be interpreted in such a narrow way as to render products not like each other unless these differences have the effect that the application, use or customer's perception of the products in question are fundamentally different. The identity of the technology and the similarity of the basic physical and technical characteristics, therefore, indicate that there exists only one category of printers.
- (13) Since there are, however, numerous different printer models on the Community market, the Commission examined whether characteristics other than basic physical and technical characteristics such as print speed, number of needles in the print head, weight, etc., can be used to find a clear dividing line between the printer models. Indeed, some market research institutes take the print speed (characters per second) as a criterion for classification but do not agree where to draw the line. In this respect, the Japanese exporters submitted that, due to the constant technical development of the printers, market segmentation cannot be based on speed segments. The Commission agrees with that submission. In addition, speed is only one of the many different characteristics of a printer and has to be evaluated with the print quality. Another proposed classification criterion is the number of needles in the print head, but this cannot be decisive since there are printers with the same number of needles but quite different features and possibilities of application. On the other hand, printers with different numbers of needles may have the same end-user's application. In addition, the number of pins in the print head may be changed without substantially changing the use of the printer. In its submission, CJPRINT enumerates no less than eight technical and six market characteristics which have to be fulfilled in order to draw borderlines between the different printers and thus to classify them. At the same time, CJPRINT notes, however, that the dot-matrix printer technology and consequently the technical characteristics of the SIDM printers, on which these CJPRINT classifications are based, are subject to rapid developments and changes.
- (14) Against the background of the immense variety and complexity of the physical and technical characteristics of the SIDM printers, the Commission has requested a comparative market study to be compiled by the specialist German market research company IMV Info-Marketing Verlagsgesellschaft für Bürosysteme, Düsseldorf. This IMV-study classified the printer models according to the number of needles in the print head and their print speed, but pointed out that these classifications were rather arbitrary, by no means generally accepted, and have to be revised according to future technical developments. The study found that although some printers have different print heads, print speeds, sizes, weights and features their functions might be the same. In addition, the application of a printer does not only depend on its hardware but also on its software. Printers with different print heads, print speeds or features might therefore have similar performances or applications. The Commission therefore concluded that the differences in characteristics other than basic technical and physical characteristics are not sufficient to establish clearly defined dividing lines between the different printers.

- (15) Regarding the application, use and consumers' perception of the SIDM printers, the Commission noted first that they have all the same basic application and perform the same basic function, namely to print out onto paper or other print medium information which is contained in a computer. In this respect, and as far as the consumers' perception of the printers is concerned, the Commission was aware that the different printer models are intended to meet different end-user requirements according to their different print heads, print speeds, sizes, weights, features and specifications, accessories, softwares and interfaces. However, it has also been found that there are only two main applications, either personal or business. Further, a printer destined for business use can easily be used by consumers for their personal applications. Indeed, according to the IMV-study, this is a current trend among end users. The Commission acknowledges that the degree of commercial interchangeability between the different printer models decreases as the differences in their features and specifications increase. However, this does not mean that there is a clear dividing line based on end-users' application and consumers' perception separating these models. Instead, the Commission found that there are important overlapping areas of competition between the different printer models. It therefore concluded that, besides the identity of the basis application and use, there is at least to a certain degree, commercial interchangeability between the different printer models.
- (16) As far as the other factors for drawing a clear dividing line between the different printer models are concerned, the Commission found that, in the past, technical progress led to rapidly changing printer models. Indeed, with further technical development a segmentation between the different printer models or groups of models, if it existed at all, will be variable and changing. The Commission has also found that the producers themselves make no distinction between their different SIDM printers, classified in different market segments, with regard to production, distribution or accounting. Both European and Japanese SIDM printer manufacturers have, for all their different printer models, similar production equipment and use the same employees, i.e. all SIDM printers are a product of similar manufacturing processes. Further, the same distribution channels and the same internal accounting are used for all SIDM printer models.
- (17) The investigation has shown that the SIDM printer market in the Community is best considered as a series of products with no clearly defined boundaries between them.
- (18) The Commission therefore considered that the similarities of all SIDM printers, as far as their technical and physical characteristics as well as their application and end use are concerned, outweighed, for the purposes of these proceedings, their differences.
- (c) *Arguments concerning the like product definition*
- (19) Europrint argued that the term 'like product' should not only cover all SIDM printers but also all serial-impact fully-formed character printers (SIFF printers) because the latter are also computer printers. Europrint agrees, however, that special-purpose printers designed for a single application such as printing automated teller machine receipts, bank books, cash-register receipts, etc. should not be covered by these proceedings.
- (20) As to this argument, the Commission noted that SIFF printers use a device known as a 'daisy wheel' as a printing element. This revolves at high speed to position spokes bearing a character. These spokes are struck by a hammer to print characters. The advantage of an SIFF printer is that it prints letter quality, the disadvantage is that it can print only the characters which are on the daisy wheel and therefore cannot be used for graphics or images. The basic physical and technical characteristics of SIDM printers and SIFF printers are different.
- (21) These different technologies also have an appreciable effect on the applications of these printers: while SIFF printers are restricted to the limited number of characters and figures that are on the daisy wheel, the SIDM technology enables a whole, almost unlimited, range of characters of different qualities and colours to be printed. Therefore, the Commission concluded that SIFF printers are not like products to SIDM printers.
- (22) With regard to the question of whether printers capable of printing Japanese characters, and therefore destined for the Japanese market, can be considered to be like products sold on the domestic market of the exporting country in the sense of Article 2 (3) (6) of Regulation (EEC) No 2176/84, is

was argued that these printers were not like products since their hardware was different to the exported models and their range of utilization was wider than that of models on the European market.

(23) The Commission noted, however, that neither the physical and technical characteristics nor the applications of printers sold on the Japanese and Community markets are basically different. The only difference is that, due to their additional and specific hard- and software, Japanese printers sold on the Japanese market also print Japanese characters but those sold on the Community market do not. This difference is not so important as to render them 'unlike'. In fact, both printer types meet exactly the requirements of their respective end users so that they can be used for identical applications in their different geographic markets. SIDM printers sold on the Japanese market are therefore like products to those sold on the Community market.

(24) Apple submitted that its Japanese imported printer model 'Imagewriter' is specifically designed exclusively for Apple computer systems. This model can only be used with Apple computers and no other printer can be connected to Apple computers without technical changes. Apple had approached two Community producers with a view to manufacturing such a printer but either they did not have the capacity to meet Apple's demand, or they were unable to manufacture the major printer components themselves, or they did not have sufficient automation in and control over the production process to meet Apple's quality requirements.

(25) As to this submission, the Commission noted that the imagewriter has all the basic physical and technical characteristics of an SIDM printer. The main differences between the Imagewriter and Community-manufactured printers consisted of differences in the plugs and code compatibility which meant that for the Imagewriter a special cable connecting it with the Apple computers was necessary. These differences, however, are not sufficient to render the Community printers 'unlike' the Imagewriter. Since Apple's reasons for turning to a Japanese source of supply were not the technical incapability of the Community producers to manufacture a printer to Apple's specifications the Commission

could not see any reason for excluding the Imagewriter from these proceedings.

(26) Brother argued that the Community producers do not manufacture a like product to its 'Twinwriter' model. The Twinwriter combines the technology of an SIDM printer and that of an SIFF printer. Specific components and software had to be created to combine SIDM and SIFF technologies in one printer. Finally, the Twinwriter fulfils two requirements: it can print alphabetic characters of letter quality due to its daisy wheel and a huge variety of signs, symbols and graphics based on the nine-pin dot-matrix print head.

(27) As far as the basic physical and technical characteristics are concerned, the Commission noted first that the Twinwriter fulfils all those of an SIDM printer. Secondly, the only purpose of the combination of the SIDM and SIFF technologies in the Twinwriter is to achieve within one printer the versatility of the dot matrix printer, and the 'letter quality' printing of the daisy-wheel printer. However, SIDM printers manufactured by Community producers and sold on the Community market during the reference period are also capable of printing letter quality. As far as the application is concerned, the Commission therefore could not find any basic differences between the Twinwriter and SIDM printers. Thus, the Commission concluded that the Twinwriter has to be considered as an SIDM printer with specific technical features of an SIFF printer. It therefore did not consider it appropriate to exclude the Twinwriter from the present proceedings.

(28) NEC argued that the Community producers do not manufacture a like product to NEC's 24-pin printers as no 24-needle printers were offered by Community producers. Furthermore, these NEC printers form a separate market because of their quality and the numerous sophisticated features, accessories and functions they provide. A similar argument was put forward by Seikosha concerning a new printer model which allegedly has specifications and features different from those of the Community models.

(29) The Commission could not accept these arguments either. Firstly, Olivetti and Mannesmann-Tally are offering 24-needle printers on the Community market. Secondly, the Commission is of the opinion that the requirement that a product be 'like' the imported article should not be interpreted

in such a narrow way as to permit alleged quality differences to lead to the conclusion that the products are not like each other, unless these quality differences have the effect that the use, the application or customer's perception of the two products are fundamentally different. The IMV-study has shown that, as far as the technical and physical characteristics are concerned, the Community models are similar to those of the NEC printers. The use of these printers is also very similar, i.e. a business and word-processing application. Thus, the alleged higher quality of NEC printers does not mean that the use of NEC printers is fundamentally different from that of another high-quality printer. The Commission therefore considered all Community-produced printers as like products to the NEC and Seikosha printers for the purposes of these proceedings.

(30) Finally, CJPRINT submitted that SIDM printers should be categorized by four primary end-user segments, i.e. there are allegedly four different like products. For the reasons given in recitals 13 to 15 the Commission could not agree to such segmentations.

(31) In the light of the findings presented above, the Commission concluded that SIDM printers can be considered as forming one single category based on identical technology, the same basic physical and technical characteristics and the same basic application and use. While there are differences between the different SIDM printers, these differences are not such as to establish clear dividing lines between these printers. As a result, any approach which tries to establish different like products within the range of SIDM printers would be complex, arbitrary, open to circumvention and probably unworkable. The Commission has therefore come to the conclusion that SIDM printers are sufficiently alike to be considered as one like product in the context of this proceeding. Consequently, for the purposes of the Commission's preliminary findings, all Community-produced SIDM printers are considered as forming one like product to all SIDM printers exported from Japan, with the exception of special-purpose printers.

C. NORMAL VALUE

(32) For each of the exporters' models sold in sufficient quantities in the ordinary course of trade on the domestic market, normal value was provisionally determined on the basis of the weighted average

domestic prices of these models. In cases where the volume of such sales was less than the threshold, established by the Commission in previous cases, of 5 % of the volume of exports of these models to the Community, the Commission considered such sales to be insufficient to be representative and determined normal value on the basis of constructed value.

(33) Despite certain exporter's claims to the contrary, the Commission considered that it would be inappropriate to take account of any transfer price between related companies or branches of any exporter when establishing normal value by means of domestic prices. The Commission, on the basis of the evidence supplied, was not satisfied that these prices could be considered as paid or payable in the ordinary course of trade for the like product and that they were not influenced by the relationship of the parties concerned.

Accordingly, only prices to independent purchasers were used for the determination of normal value. Since, in every instance, sales to independent purchasers amounted to at least 70 % of all transactions, these were considered representative of all sales on the domestic market.

(34) Where models with features and specifications suitable for direct comparison to those sold for export to the Community were sold in substantial quantities over the investigation period on the domestic market at prices which on average did not permit recovery of all costs, the normal value was determined on the basis of the constructed value of the model concerned.

One exporter, however, did not make available sufficient evidence on costs of production of individual models. Normal value was, therefore, in accordance with Article 7 (7) (b) of Regulation (EEC) No 2176/84, calculated on the basis of the facts available, i.e. the average manufacturing costs of the models produced by that exporter.

(35) In all such cases where there were either no or insufficient sales on the domestic market of a model suitable for direct comparison to that sold for export to the Community, the constructed value was established on the basis of the costs, both fixed and variable, in the country of origin of materials and manufacture for the model exported to the Community, plus a reasonable amount for selling, administrative and other general expenses and profit.

(36) As regards the amounts of selling, administrative and other general expenses and profit to be included in such constructed values, these were calculated on the basis of the expenses incurred and the profit realized by the exporter concerned, on its profitable sales in the domestic market of comparable models or, in the absence of sufficient sales of such models, models closely resembling the models exported. Where no or insufficient such sales took place, the addition was based on a weighted average of expenses incurred and profit realized by the other exporters, investigated on other profitable sales on the domestic market of the like product. Where the relevant domestic sales were made through a subsidiary sales company or companies, having the functions of the sales department of the production company, an allocation, generally on the basis of turnover, was made to include, in the constructed value, the selling, administrative and other general expenses of these sales companies.

(37) On any occasion that an allocation of sales, administrative and other general expenses was not made on the basis of turnover, the amount to be allocated was calculated on the basis of the exporter's accounting practice where the Commission was satisfied that the method used was reasonable for the particular costs concerned. For a number of costs, exporters requested that allocations be made on the basis of neither turnover nor normal accounting practice. Such requests were not considered acceptable, the suggested allocations being devised solely for the anti-dumping investigation in question. Accordingly, the Commission saw no reason to deviate from its practice of applying Article 2 (11) of Regulation (EEC) No 2176/84 by basing all cost calculations on available accounting data, normally allocated, where necessary, in proportion to the turnover for each product and market under consideration.

More specifically, some exporters requested that certain costs be allocated on the basis of turnover while a number of other costs notably on research and development be attributed to the product concerned on a product specific basis. Such a method of allocation was only considered acceptable where it could be shown that all remaining costs allocated on a turnover basis could not also be attributed on a product specific basis. Otherwise, there would be a risk that certain costs would not be appropriately allocated. In particular, as regards research and development costs, it was considered

that, where such costs could be clearly attributed to a particular product currently being marketed, e.g. dot-matrix printers, an allocation could be made on a product specific basis. In addition, it was considered that an allocation should be made, on the basis of turnover, to the product concerned for all research and development costs which were of a general nature, or specific to products which had yet to be sold by the end of the reference period or specific to products which may have an effect on the production costs of the product concerned. All such costs are funded by the total turnover and profit of the exporter concerned, including the turnover for the product under consideration and, accordingly, an allocation on the basis of turnover for such costs was considered the most appropriate method.

(38) In addition to own-brand sales, a number of exporters sold the product concerned, either for export to the Community alone or both for export and on the Japanese market, to independent customers which resold the products under their own brand names (OEM's). Some of these models had both a different design and different technical specifications from those sold under the manufacturer's own brand.

Certain exporters claimed that their normal values should be based on a weighted average of all sales in the ordinary course of trade on the Japanese market. However, the Commission considered that such an approach would not take account of the differences between sales of a manufacturer's own brand product and sales to OEM's. Accordingly, where exports were made to OEM's in the Community, normal value for these products was established on the basis of domestic prices of a comparable product sold in the ordinary course of trade to OEM's in Japan. In the absence of such sales in sufficient quantities, normal value was established on the basis of the constructed value of the product concerned. As regards selling, administrative and other general expenses and profit in such cases, the amounts to be included were calculated on the basis of the expenses incurred and the profit realized by the exporter concerned, on its profitable sales to OEM's on the domestic market of models closely resembling the model exported. Where no or insufficient such sales took place, the allocation was based on a weighted average of expenses incurred and profit realized by the other exporters, investigated on their profitable sales to OEM's on the domestic market of the like product.

(39) Several exporters claimed that selling, administrative and other general expenses incurred and the profit made by their sales organizations in Japan should not be included in the calculation of normal value, whether based on constructed value or on domestic prices. This, it was claimed, would assimilate the determination of normal value with the determination of the export prices to exporter's related sales organizations in the Community, where such costs are deducted in order to construct export prices.

(40) The Commission considers, however, that such expenses should, in these cases, be included in the determination of normal value.

In the first place, it was established that all the sales organizations concerned have, for the most part, only functions which are those of a sales branch or department. In cases where such sales organizations had functions other than domestic sales (e.g. import and resales of products of other manufacturers), the Commission was satisfied that the costs relating to these other functions did not increase the allocation of costs to the sale of dot-matrix printers, the allocation being made on the basis of the total turnover of the sales organization.

Secondly, a normal value based on domestic price is to be, pursuant to Article 2 (3) of Regulation (EEC) No 2176/84, the price actually paid in the ordinary course of trade for the like product in the exporting country. Such a price will include sales, administrative and other general costs and profit which, in the case of the exporters in question, are the sales, administrative and other general costs and profit of their domestic sales organizations. Accordingly, in the view of the Commission, the costs of these sales organizations should be included in normal value when this is based on domestic prices.

Thirdly, where normal value is based on constructed value, Article 2 (3) (b) (ii) of Regulation (EEC) No 2176/84 provides that a reasonable amount for selling, administrative and other general expenses (and profit) should be added to the costs of production. This is intended to lead to a normal value determination as if sales on the domestic market had taken place. For such domestic sales to be considered in the ordinary course of trade in the market under consideration, their prices should reflect an amount equal to that incurred by the seller for sales, administrative and

other general expenses. Since sales, in the ordinary course of trade, of dot-matrix printers in Japan are made for the most part through wholly-owned or controlled sales companies, and since these organizations have the function of a sales department of the producing company, the selling, administrative and other general expenses incurred by the relevant sales company of such exporters are costs which must be taken into consideration for the determination of the individual exporter's constructed normal value.

D. EXPORT PRICE

(41) With regard to exports by Japanese producers directly to independent importers in the Community, export prices were determined on the basis of the prices actually paid or payable for the product sold.

(42) In other cases, exports were made to subsidiary companies which imported the product into the Community. In such cases it was considered appropriate, in view of the relationship between exporter and importer, that export prices be constructed on the basis of prices at which the imported product was first resold to an independent buyer. Discounts, rebates and the value of free goods given in connection with a sale were deducted from the price to the independent customer and suitable adjustment was made to take account of all costs incurred between importation and resale, including all duties and taxes.

(43) In addition, a number of sales to independent customers in the Community were made by exporter's subsidiary companies either in or outside the Community. In some such cases, it appeared that, although the related company was not the formal importer, it assumed certain functions of, and bore certain costs normally incurred by, an importer. It took orders, purchased the product from the exporter and resold to, *inter alia*, unrelated customers. These customers were generally distributors of the product concerned in areas, in which the exporter did not have a subsidiary company importing and distributing the products. Sales by some exporters were also made to an independent customer in the Community via more than one of the exporter's subsidiaries. In all such cases except one, both subsidiaries were situated within the Community and for the exception, one subsidiary was located within and one outside the Community. In the cases, the costs normally incurred by an importer were incurred by both the subsidiaries of

the exporters concerned. In these instances, there was a price paid by one subsidiary to the exporters and a higher price paid by the second to the first subsidiary.

It was claimed that, in all such circumstances, the export price actually paid or payable in terms of Article 2 (8) of Regulation (EEC) No 2176/84 should be that invoiced by whichever subsidiary sells to the independent customers in the Community.

(44) The Commission considers that, in these circumstances, the products were sold for export to the Community by the exporter in Japan to a subsidiary located either inside or outside the Community. These subsidiaries, whether formally importing the product or not, assume functions typical of an importing subsidiary. Given the relationship between the exporter and its subsidiary, the export price, in such cases considered to be a transfer price, is therefore rejected as unreliable. Accordingly, the export price had to be constructed on the basis of the price at which the product was first sold to an independent buyer, allowance being made for all costs incurred by the subsidiary or subsidiaries in question, as provided for by Article 2 (8) (b) of Regulation (EEC) No 2176/84.

(45) Where cost allocations were necessary in constructing export prices these were generally made on the basis of turnover. The costs and turnover used for this purpose were generally those of the related importers' last available financial year and accordingly based on audited accounts. On any occasion that an allocation of sales, administrative and other general expenses was not made on the basis of turnover, the amount to be allocated was calculated on the basis of the exporter's available accounting practice where the Commission was satisfied that the method used was reasonable for the particular costs concerned. For a number of costs, exporters requested that allocations be made on the basis of neither turnover nor normal accounting practice. Such requests were not considered acceptable, the suggested allocations being devised solely for the anti-dumping investigation in question. Accordingly, the Commission saw no reason to deviate from its practice of applying Article 2 (11) of Regulation (EEC) No 2176/84 by basing all cost calculations on available accounting data, normally allocated, where necessary, in proportion to the turnover for each product and market under consideration.

(46) These allocated costs included all administrative and other general costs relating to the sales under

consideration whether financed by the exporter or by the related importer.

(47) Some related importers claimed that costs incurred between importation and resale varied by type of customer. Only certain of these importers satisfactorily demonstrated this, on the basis of accounting data, to the Commission and in such cases different cost allocations were made depending on the type of customer concerned. In these cases, the allocations were generally based on the individual turnovers generated by the different types of customer.

(48) To arrive at a constructed cif Community frontier export price, adjustments were also made for Community customs duties and for a 5 % profit on sales turnover. The Commission based this 5 % on data asked for and received from a number of independent importers of the product concerned. These data showed profits of between 5 % and 10 %. In view of the Commission's understanding of the nature of the business based on the information received from importers, it was determined that a reasonable profit margin in terms of Article 2 (8) (b) of Regulation (EEC) No 2176/84 should be not less than 5 %. For the purposes of this provision, this percentage was accordingly applied to all sales of the related importers to their first independent purchaser in the Community.

(49) As far as the export prices were concerned, the Commission verified, for the products of each exporter, at least 70 % of all transactions during the reference period. This quantity was considered representative of all transactions of the exporters during this period.

E. COMPARISON

(50) For the purpose of a fair comparison between normal value and export prices, the Commission took account, where appropriate, of differences affecting price comparability, such as differences in physical characteristics, and differences in conditions and terms of sale, where claims of a direct relationship of these differences to the sales under consideration could be satisfactorily demonstrated. This was the case in respect of differences in credit terms, warranties, commissions, salaries paid to salesmen, packing, transport, insurance, handling and ancillary costs.

(51) Normal value and export prices, the latter based on both prices paid and constructed export prices, were compared at the same level of trade. The prices or constructed values to which adjustments were made were established on exporting companies, domestic sales companies or sales organizations. Export prices were established *ex* export sales company or sales organization. In order to place the export price and the normal value on a comparable basis, due allowance was made for differences affecting price comparability in accordance with Article 2 (9) and (10) of Regulation (EEC) No 2176/84.

(52) As regards differences in physical characteristics, claims for allowance were made in connection with different technical specifications and capabilities of certain models sold on the Japanese market from those sold for export to the Community. These differences concerned mainly the ability of printers sold on the Japanese market to produce both alphanumeric and some form of Japanese character (either phonetic or otherwise). Article 2 (10) (a) of Regulation (EEC) No 2176/84 provides that in such circumstances allowance shall normally be based on the effect on the market value in the country of origin or export and that 'where domestic pricing data in that country are not available, or do not permit a fair comparison, the calculation shall be based on those production costs accounting for such differences'. In the absence of useable pricing data for these capabilities, the adjustment was calculated on the basis of the differences in constructed values of the printers concerned determined by adding the cost of production, as defined in Article 2 (3) (b) (ii) of Regulation (EEC) No 2176/84, and a reasonable margin of profit. It was considered reasonable, in the absence of satisfactory information on the profitability of the features concerned in Japan, to consider that margin the same as for the printer itself.

One exporter which claimed an allowance for differences in physical characteristics between models sold domestically and those sold for export did not supply sufficient evidence in support of its claim and, in particular, no details of costs of production of the models exported were made available. A proper comparison of costs was therefore not possible and the claim was accordingly rejected.

sold for export to the Community. The claim was based on an alleged cost difference resulting from differences in volume of production. However, no satisfactory evidence based on accounting data was supplied regarding savings in the cost of producing different quantities, and the claim was therefore rejected.

(54) Claims were also made for allowances under Article 2 (10) (c) of Regulation (EEC) No 2176/84 in respect of certain overheads and general expenses. Article 2 (10) (c) provides, however, that allowances for differences in conditions and terms of sale shall be limited to those which bear a direct relationship to the sales under consideration, and that allowance for differences shall generally not be made for overheads and general expenses. Since the Commission was not satisfied in any instance in the present case that overheads and general expenses fell into the categories of directly related expenses, or that the circumstances of any exporter concerned were so exceptional as to permit a deviation from the general principle that no allowance is made for overheads and general expenses, it considered that no allowance should be granted for differences in such costs.

(55) Some parties also raised the point that since, in the case of associated importers, all costs of the importer are taken into account for the purpose of constructing the export price, an identical approach should be followed where sales on the domestic market are made through an associated sales company. This argument confuses two different issues, namely the construction of the export price on the basis of a resale price of a related importer, and the comparison between normal value and export price. For the purpose of constructing the export price, Regulation (EEC) No 2176/84 prescribes the deduction of all costs incurred between importation and resale. This is designed to arrive at an export price which is not influenced by the relationship between the exporting company and its associated importers. As regards the comparison between normal value and export price, other rules apply which have led to price adjustments for all allowable factors, as explained under recitals 50 to 54 above.

(53) One exporter also claimed an allowance for differences in quantities sold domestically from those

(56) Some exporters also requested an allowance to cover alleged difference in costs where printers are sold exclusively to dealers in Japan and to dealers and distributors in the Community.

As regards a comparison between sales to dealers on the domestic market and to distributors in the Community, no evidence was received on any cost differences relating to these sales which could be considered allowable under Article 2 (10) of Regulation (EEC) No 2176/84 and which had not already been taken account of as explained in recitals 50 to 54 above.

F. DUMPING MARGINS

(57) Normal value for each of the models of each exporter was compared with the export prices of comparable models on a transaction-by-transaction basis. The preliminary examination of the facts shows the existence of dumping in respect of imports of dot-matrix printers originating in Japan from all the Japanese exporters investigated, the margin of dumping being equal to the amount by which the normal value as established exceeds the price for export to the Community.

(58) The margins of dumping varied according to the exporter, and the weighted average margins were as follows :

	%
— Alps Electrical Co. Ltd :	7,4,
— Brother Industries Ltd :	45,8,
— Citizen Watch Co. Ltd :	55,0,
— Copal Co. Ltd :	18,6,
— Fujitsu Ltd :	86,0,
— Japan Business Computer Co. Ltd :	22,4,
— Nakajima Ltd :	12,3,
— NEC Corporation :	70,0,
— OKI Electric Industry Co. Ltd :	9,2,
— Seiko Epson Corporation :	33,6,
— Seikosha Co. Ltd :	73,0,
— Shinwa Digital Industry Co. Ltd :	10,5,
— Star Micronics Co. Ltd :	13,6,
— Tokyo Electric Co. Ltd :	4,8,
— Tokyo Juki Industrial Co. Ltd :	83,5.

(59) For those exporters that neither replied to the Commission's questionnaire, nor otherwise made themselves known, dumping was determined on the basis of the facts available in accordance with the provisions of Article 7 (7) (b) of Regulation (EEC) No 2176/84.

In this connection, the Commission considered that the results of its investigation provided the most appropriate basis for determination of the margin of dumping and that it would create an opportunity for circumvention of the duty to hold

that the dumping margin for these exporters was any lower than the highest dumping margin of 86 % determined with regard to an exporter who had cooperated in the investigation. For these reasons it is considered appropriate to use this latter dumping margin for this group of exporters.

In addition, a subsidiary of one exporter refused access, during an investigation in its premises, to information deemed to be necessary by the Commission for its verification of the records of the subsidiary concerned. As a result, the Commission could not be certain of receiving reliable data for establishing the export prices for the exporter concerned and, accordingly, considered it appropriate that preliminary findings for this company also be made on the basis of the facts available, i. e. the results of the investigation.

It was considered that, in this case, it would also create an opportunity for circumvention of the duty and would constitute a bonus for non-cooperation to hold that the dumping margin for this exporter was any lower than the highest dumping margin determined with regard to an exporter who had cooperated in the investigation. For these reasons it is considered appropriate to use the highest dumping margin for this company.

G. COMMUNITY INDUSTRY

(60) There are eight producers of SIDM printers in the Community. The investigation has shown that during the period under investigation the four Europrint members manufactured about 65 % of the total Community output of SIDM printers, hence a major proportion of the total Community production of the like product within the meaning of Article 4 (5) of Regulation (EEC) No 2176/84.

(61) The Commission also found that three of the Europrint members, i. e. Mannesmann-Tally, Hisi and Philips, imported, during the investigation period, SIDM printers from Japan in quantities which amounted respectively to 51 %, 42 % and 11 % by volume of the total sales of these Community producers (under the assumption that all imported printers are also sold).

(62) In this respect, CJPRINT submitted that a complainant should be excluded if its imports cannot be regarded as interim defensive measures and if it is simply using its resources as a multinational corporation to import products from those sources which it concludes can provide the best products at the lowest price irrespective of where in

the world the source may be located. Consequently, the three importing Community producers should, according to CJPRINT, be excluded because their imports cannot be considered to be an interim defensive measure as the imported products amount to substantial quantities, are resold under their own brand name at a substantial profit and have led to increasing market shares.

(63) With regard to these arguments, the Commission noted that Article 4 (5) of Regulation (EEC) No 2176/84 leaves a certain discretion to the Community institutions as to whether or not they exclude certain importing Community producers. When exercising this discretion, the Commission considered that it is normal for large firms engaged in international business to buy part of their range of models from other producers. The mere fact that a Community producer has imported goods of a kind for which dumping has been found and has resold them with a reasonable profit margin, does not, in itself, prevent it from complaining about dumping or having its injury taken into account. In deciding whether to exclude a Community producer from consideration, the Commission took into account whether the importing of the dumped products and their sale on the Community market should, due to the reasons behind this, the volume of such imports or any other circumstances, be considered as part of normal and sound business practice on the part of a producer. In this respect, it is particularly important to what extent these imports can be considered as having been made in self defence.

(64) As far as the reasons for these imports are concerned, the Commission has found that all printer models imported by the Community producers belong to the low end segment of the SIDM printer market. Before 1983, all three companies were represented in this market segment with their own manufactured printers. The decisions to replace their existing printer models by printers of Japanese origin were, in the first place, based on the general consideration that, for defending their position on the market, it is necessary for an SIDM printer manufacturer to offer a full range of printers and to be represented in all market segments. Indeed, without offering a full range, the three companies would have run the risk of also losing sales and customers in the other market segments and, consequently, be totally driven out of the printer market. Secondly, because of the low price level on the Community printer market caused by

imports from Japan, the costs of development and production of a new printer model would not have been recovered within a reasonable time. The prices which the Japanese manufacturers offered were so low that, even at the low level of resale prices on the Community market, the imported products could be resold at a reasonable profit.

- (65) As far as the volume and other circumstances of these imports are concerned, the Commission considered that the quantities concerned were not so high as to make it necessary to exclude the three companies concerned. The value of imports represented a substantially smaller proportion of the three companies' total net sales than the volume of imports. This is because all the imports were of relatively low-priced printers.
- (66) Moreover, the number of printers imported represents a modest proportion of total sales in the Community in the lower end of the market. In 1983, imports from Japan by Community producers represented 4 460 units, i. e. 0,5 % of Community consumption. In 1986, imports by Community producers represented 91 138 units, i. e. about 4,3 % of total Community consumption.
- (67) As far as the profit margins on the sales of these imported printers are concerned, the investigation has shown that they were not more than 5 % (as a percentage of return on sales) higher than the return on sales of the Community producers' printers.
- (68) In the light of these circumstances, the Commission is of the opinion that both the reasons which led the three companies to import SIDM printers from Japan as well as the other circumstances can be considered as a reasonable measure of self-defence necessary to stay in the market. Since the market conditions have worsened for the Community producers since 1983, the fact that these imports are not a temporary measure cannot be considered as decisive in these proceedings. Thus, the Commission has come to the conclusion that, for the purposes of the preliminary findings, the three Europrint members who have imported dumped SIDM printers from Japan should not be excluded from the Community producers representing the Community industry.
- (69) The Commission therefore interpreted the term 'Community industry' as referring to the four Community producers that are members of Europrint.

H. INJURY

(a) *Volume and market shares of dumped imports*

(70) As regards injury, no precise figures concerning total imports and total consumption were available. Based on market studies supplied by the Japanese exporters the Commission estimated that the total SIDM printer consumption in the Community increased from 800 000 units in 1983 to 2 093 000 units in 1986. At the same time, imports of SIDM printers into the Community from Japan increased from 390 000 units in 1983 to 1 522 000 units in 1986. This development represents an increase in the market share held by Japanese producers in the Community from 49 % in 1983 to 73 % in 1986. These figures include printers imported by the Community producers themselves from Japanese exporters, which increased from around 1 % in 1983 to 6 % in 1986 of total SIDM printer imports from Japan.

(71) For the period under investigation, and according to the information given by the Japanese exporters cooperating with the Commission in these proceedings, their exports to the Community amounted to about 2 000 000 printers. It can be estimated for the purposes of these preliminary findings that 90 % of these exports were sold on the Community market, i.e. 1 800 000 printers. During the same period, total sales in the Community of printers manufactured by Europrint members amounted to about 272 000 units.

(72) As far as the different segments of the SIDM printer market in the Community are concerned, information was only available to the Commission concerning a low print speed segment consisting mainly but not exclusively of printers printing draft quality, a medium print speed segment consisting of professional printers also printing letter quality and a high print speed segment consisting of production printers also printing letter quality. With regard to such a segmentation, the development was the following: in the low segment, total consumption increased from 255 000 units in 1983 to 807 000 units in 1986, an increase of 316 %. The market share of Japanese printers increased in the same period from 65 % in 1983 to 88 % in 1986. The market share of the Community producers decreased from 24 % in 1983 to 7 % in 1986.

In the medium segment, total consumption increased from 473 000 units in 1983 to 1 133 000 units in 1986, an increase of 239 %. The market share of Japanese printers increased in the same period from 46 % in 1983 to 65 % in 1986. The market share of the European industry fell from 34 % in 1983 to 25 % in 1986. In the high segment, total consumption increased from 72 000 units in 1983 to 153 000 units in 1986. The market share of the Japanese printers increased from 4 % in 1983 to 47 % in 1986. The market share of the European industry fell from 61 % in 1983 to 28 % in 1986.

(73) During the period 1983 to 1986, the exports of Community-manufactured SIDM printers to Japan fell from 1 040 units to zero.

(b) *Prices*

(74) As far as prices are concerned, according to the market studies supplied by the Japanese exporters, the weighted average prices of all SIDM printer producers decreased between 1983 and 1986 (1983 = 100), in the low and the high segment by 35 % and in the medium segment by 21 %. Over the period 1985 to March 1987, the weighted average prices of one Community producer, whose products are represented in all three segments, decreased in the different Member States in the low segment by between 25 % and 38 %, in the medium segment by between 6 % and 23 % and in the high segment by between 4 % and 14 %. This calculation is based on the weighted average selling prices of that Community producer in Germany, France, Italy and the United Kingdom where more than 80 % of total Community production, as well as the Japanese exports to the Community, is sold. It showed that in the low and medium segments, where the Japanese exports are mainly represented, the price decrease of this Community producer was significantly higher than in the high segment with less Japanese representation.

(75) As far as price undercutting is concerned, the Commission ignored those products sold for export to the Community to independent traders in Japan. Indeed, the prices for these models which were set by those traders could not, for the purposes of these proceedings, be compared with those of the Community models.

- (76) In most cases, however, the Japanese exporters sold to independent Community customers either directly from Japan or through their sales subsidiaries in the Community. In order to compare these selling prices with those of the Community producers, the Commission established the weighted average selling prices for the different sales channels, i. e. sales to OEMs, distributors, dealers and end users. The average selling price of each Japanese exporter in each of these sales channels in each of the four Member States (France, Germany, Italy and the United Kingdom) was then compared to the corresponding figures for each of the four Community producers.
- (77) In making this comparison, the Commission took as a basis the abovementioned IMV-study on model comparison. This study established three main segments based on the number of pins in the print head (nine, 18 and 24 pins) but subdivided them into seven sub-segments based on print speed.
- (78) There is a great variety of models on the market but there are no identical models to compare. The Commission, in order to make this comparison, selected representative Community models. The models which were regarded as representative were the Community models with the largest sales in each sub-segment. Further, in each sub-segment at least two Community models were treated as representative. However, in segment III of the IMV-study only one Community model was available in each sub-segment. Therefore, these two sub-segments were, for the purposes of the comparison, taken together. The Community models treated as representative accounted for about 67 % of the total sales of all models of the Community industry within the Community.
- (79) The Commission then compared the Community producers' prices for these models with the Japanese exporters' prices for models in the same sub-segments, respectively. These Japanese models were selected because they were similar in technical respects (features and specifications) to the Community models with which they were compared. Most of the features and specifications of the Japanese models were the same as or higher than those of the Community models with which they were compared. In cases where no such model was available, the prices of the Community producers' models were compared with similar Japanese models in a higher market sub-segment.
- (80) The Japanese models taken for this comparison accounted for about 52 % of all sales of Japanese exporters for which export figures are available. This percentage includes only Japanese models which were so similar to the Community models in question that they were directly comparable without adjustments, or with minimum adjustments, to the Community models in question. Thus, adjustments were made only for differences in terms and conditions of sale and to take account of the fact that sales were made through different sales channels. No specific adjustments were made in differences of features or specifications, because the differences were not considered substantial enough to make such adjustments necessary and, secondly, because of the difficulty in estimating precisely the differences in value, if any, which result from these differences.
- (81) In segment I, eight models of three Community producers were compared to 37 models of nine Japanese exporters, in segment II, four models of three Community producers to three models of two Japanese exporters, and in segment III, two models of two Community producers to 10 models of six Japanese exporters. By this comparison, the Commission found that, in the majority of sales, price undercutting of between 5 % and 21 % took place. The data on which this price-undercutting calculation is based are confidential and have never previously been available for any study of the market.
- (82) As far as this model comparison and the price undercutting found is concerned, it was argued by the Japanese exporters that certain Community models are heavier, or have a longer life span than the Japanese models they were compared to, or have specific characteristics different to some Japanese models, and that these differences justify higher prices for the Community models, at least for some users. Within the present proceedings and for the purposes of provisional findings, the Commission was not in a position to verify the correctness and the validity of these arguments. Further, it was not possible at this stage of the investigation to evaluate the impact of these alleged differences on the consumers' perception of the products concerned and, hence, on the prices. Therefore, the Commission was unable to reach a

provisional conclusion on these arguments. In any event, and without deciding at this stage about the merits of arguments put forward by the Japanese exporters, the Commission has sufficient evidence to consider that an average price undercutting of at least 10 % took place.

(c) *Other relevant economic factors*

- (83) As far as the general conditions of the Community industry are concerned, the Commission found that the actual production capacity of the Europrint members rose from 242 800 units in 1983 to 528 000 units in 1986 with a relatively stable capacity utilization rate of about 70 %. Consequently, production increased from 175 000 units in 1983 to 390 000 units in 1986. This growth is, however, mainly due to the production increase of 404 % of one of the Europrint members while the production of the other three Community producers had only increased by 140 % to 174 % in the same period.
- (84) The number of sales in the Community by Community producers grew from 151 000 units in 1984 (Spain and Portugal excluded) to 258 000 units in 1986 (Spain and Portugal included). In the same period Community producers' stocks of SIDM printers increased more rapidly than sales, i. e. from 23 000 units in 1983 to more than 78 000 units in 1986. The market share of the Community producers in the SIDM printer market as a whole dropped from about 33 % in 1983 to 18 % in 1986.
- (85) The profitability of the Community producers on the Community market of their sales of own production shows a consistent downward trend from 1984 onwards. In 1984 all Europrint members own-manufactured printer sales were profitable, while in 1986 one Europrint member had already made considerable losses on sales of its own-manufactured printers. For the other companies, profit margins had decreased by about 63 %, 30 % and 16 %, respectively, from 1984 to 1986.
- (86) On the basis of the preliminary results for 1987, the downward trend is continuing. In 1987, the operating accounts of two companies will show substantial losses and the profit margins of the other two companies, which are already very low, will be further reduced. These results have to be evaluated against the background of the considerable efforts and investments which all four Community producers have made to reduce their costs of production or printers.

- (87) As far as employment in the Community industry is concerned, it remained stable between 1984 and 1986.

(d) *Conclusions*

- (88) In order to determine whether the Community industry is suffering material injury in the sense of Article 4 (1) of Regulation (EEC) No 2176/84, the Commission noted that while the absolute capacity, production and sales figures, taken in isolation, show a positive trend, they lagged significantly behind the general market development and increased at a much lower rate than did imports from Japan and general consumption. Indeed, while general consumption increased by about 262 % between 1983 and 1986 (i. e. from 800 000 units to about 2,1 million units), the Community industry increased its capacity by only 217 %, its production by only 222 % (i. e. from about 175 000 to about 388 000 units) and its sales of the own-produced printers by only 171 % (basis for sales: 1984). Further, the increase in production was partly outweighed by an increase in stocks of 334 %. In other words, the Community producers' increase in production was partly absorbed by their increase in stocks. Finally, the financial figures reveal that the condition of the Community industry has worsened dramatically and that this process is still continuing.
- (89) The effects of reduced profitability have been manifold. The Community producers were particularly cautious in investing in new capacity. Therefore, although production and sales increased, employment did not increase since the manufacturers did not take the risk of engaging people in an increasingly unprofitable industry. Further, the industry has been forced to scale down its research and development expenditure on printers to a level which is substantially below that of its main Japanese rivals. The inability to devote sufficient resources to new technologies has already led to the European industry lagging behind in such technical developments as laser or ink-jet printing.
- (90) Furthermore, the expectation of continuing depressed prices has already resulted in the postponement or abandonment of the launching of new models by Community producers. This has prevented producers from activating viable cost-effective projects in this area. This situation persists despite major efforts by the Community industry to cut fixed costs in order to meet the lower-priced Japanese models on the market. The drive to cut costs led one Europrint producer to close a European plant outside the Community which manufactured printers in the low end market sector, 90 % of which were sold in the Community.

(91) Despite concentrating their manufacturing efforts on a limited range of models, the Community producers have not operated with satisfactory levels of capacity utilization. The loss of market share has also meant that they have been unable to benefit from economies of scale from the higher production volume which their Japanese competitors have enjoyed.

(92) With regard to injury, the Japanese exporters argued that all complainants are part of much larger companies which are largely profitable. With respect to this argument the Commission notes that, pursuant to Article 4 (4) of Regulation (EEC) No 2176/84, injury should only be assessed in relation to the Community production of the like product; therefore injury has to be determined with regard to the manufacturing and sales operations concerning SIDM printers of the Community producers. The fact that injury suffered in these operations could be neutralized by profits in other sectors of a company should not be taken into account.

(93) On the basis of this preliminary investigation, the Commission concluded that the Community SIDM printer industry is currently experiencing material injury.

I. CAUSATION OF INJURY BY THE DUMPED IMPORTS

(a) *Effect of dumped imports*

(94) In order to assess whether the material injury suffered by the Community industry has been caused through the effects of dumping in the sense of Article 4 (1) of Regulation (EEC) No 2176/84, the Commission found that the price depression, the loss of market share and the loss of, or reduced, profitability by the Community industry coincide with the increase in the volume of the imports of SIDM printers from Japan. Also, other indications of the health of an industry, such as capacity and stock figures, were, on the basis of weighted averages and in relation to total consumption, significantly better for the Community industry in 1984 than in 1986. Indeed, in a highly price-competitive market which is largely dominated by the Japanese exporters considerable price undercutting based on dumping by those exporters has an appreciable negative effect on sales and, consequently, on the profitability of the competing Community manufacturers. This interconnection between market domination, price undercutting

and dumping is shown in the low and medium segment where the price decreases for the Community producers are far higher than in the high segment with lower Japanese market share.

b) *Effect of other factors*

(95) As to the possibility that injury to the complainants might have been due to other factors in the sense of Article 4 (1) of Regulation (EEC) No 2176/84, the Commission has firstly examined whether such factors specific to the individual companies of Europrint exist. No convincing evidence has, however, either been submitted or found to suggest that internal problems within these companies led to the injury. According to their annual reports for 1986, all four companies showed at least satisfactory results in other business segments related to office automation. In the Commission's view, company specific factors therefore played no role, or at least no significant role, in the overall deterioration of the economic situation of the Europrint members in the SIDM printer industry.

(96) With regard to the possibility that injury may have been caused by factors such as contraction in demand for SIDM printers or the volume and prices of imports which were not dumped, the Commission found, as already mentioned, that the demand for computer printers and SIDM printers in particular, increased considerably in the period 1983 to 1986 and, according to forecasts by market research companies, is likely to increase still further. Moreover, during the same period, the imports of SIDM printers manufactured by companies other than those in Japan also decreased considerably. In addition, there were no indications that there was price undercutting by these imports. The Commission therefore concludes, for provisional findings, that neither contraction in demand nor the volume and prices of imports which were not dumped could have been the source of the material injury suffered by the Community industry.

(c) *Issues relating to causation raised by the exporters and importers of Japanese SIDM printers*

(97) In assessing whether other factors might have caused injury, the exporters and one importer of Japanese SIDM printers raised several issues.

(98) CJPRINT submitted in the first place that the weak position of the European manufacturers is due to their business strategy of establishing and maintaining niche markets for their complete

personal computer systems. In other words, they tried to supply mainly printers for their own captive computer systems. In addition, their printers only provided a limited range of performances and covered only limited geographic areas of the Community. Secondly, Community producers have relied on the short-term cost-saving strategy of importing SIDM printers of Japanese origin. Thus, they failed to develop the necessary knowhow for the technology and the marketing of mass-market printers. Thirdly, Community producers delayed for too long the production of printers compatible with IBM personal computers for which a growing demand has existed since 1983. Fourthly, Japanese SIDM printers have consistently outperformed the Community-manufactured SIDM printers on both features and evaluations as well as on quality. CJPRINT concluded that the economic situation of the Community industry was caused by better market strategies, superior product quality and more efficient and consumer-adapted marketing on the part of the exporters and not by dumping.

(99) Seiko Epson added to these arguments that it was previously the exclusive supplier of IBM personal computers and that by this fact it achieved significant cost and experience advantages which alone gave it a leading market position without resort to dumping.

(100) Apple suggested that its imports of the Imagewriter could not have caused injury since no Community supplier was suitable to provide the capacity necessary to satisfy Apple's worldwide requirements. Total Community production capacity of SIDM printers (i.e. including the capacity of non-Europrint members) amounted in 1986 only to approximately 75 % of Apple's projected requirements for its business year starting on 1 April 1987.

(101) In order to assess the pertinence of all these arguments, the Commission first investigated whether the Community industry followed a niche market strategy and was too late in adapting its SIDM printers to the market requirements. It was found that, before 1984, all Europrint members offered on the Community market own-manufactured low-end SIDM printers. Olivetti still manufactures and sells such mass-market printers. Mannesmann-Tally also still manufactures a low-end printer but withdrew it from the mass market in 1984. This model is still sold to niche markets such as weighing machine

manufacturers. Hisi did not stop its production of its mass-market printer until September 1986 when it decided to replace this model by a printer manufactured in Japan. Philips manufactured and marketed its low-speed nine-needle printers until 1984 when it also decided to replace these models by printers of Japanese origin. These facts prove to the satisfaction of the Commission and for the purposes of these provisional findings that the Community producers concerned did not follow niche-market strategies. Insofar as the mass market is today left mainly to the Japanese exporters, this is due to the fact that the Community producers were almost completely forced out of this market by imports from Japan.

(102) With regard to the imports by three Europrint members of printers of Japanese origin, the Commission first notes that the injury suffered by a Community producer from dumped goods imported by other Community producers may be entirely unaffected by the fact that it has imported goods of the same type itself. Secondly, the fact that injury of one Community producer results from imports by another Community producer is in itself irrelevant. The only injury which should not be taken into account is that which is caused by the importer to itself and which is therefore additional to the injury resulting from the sales by other importers or imports of other Community producers.

(103) In the light of these considerations, the Commission found that all three Community producers import only such dumped goods which are not in competition with or comparable to their own-produced printers. Philips and Hisi totally abandoned their own production of mass-market printers, Mannesmann-Tally changed its marketing strategy and sold its own-produced low-speed printers only on captive markets. In addition, Philips incorporated all its imported printer models into its personal computer systems and did not sell them separately from these systems.

(104) As far as the question of compatibility with IBM personal computers is concerned, the Commission found that before 1983 a personal computer manufacturer other than IBM was the Community market leader in this sector. It was therefore essential for SIDM printer manufacturers to provide printers which were adapted to computer systems of this other manufacturer. Further, all Europrint

members were not only capable of manufacturing printers compatible with all personal computers on the market but in fact did so with the exception of IBM personal computers for which Seiko Epson had the exclusive rights to manufacture compatible printers. With the phasing out of these rights in 1984, the IBM emulations became a major event on the printer market in 1984 and 1985 and a standard for the printer industry in 1986. Indeed, the market share of IBM-compatible printers increased from 10 % in 1983, to 29 % in 1984 and surged to 48 % in 1985, reaching its preliminary peak of 70 % in 1986.

- (105) The Commission did not, however, find that the Europrint members were too late to adapt to these market requirements. Mannesmann-Tally and Hisi began manufacturing SIDM printers with IBM compatible features in late 1983, Olivetti in March and Philips in August 1984. Under these circumstances, the argument that Community industry adapted too late to the market demands for IBM compatibility cannot be accepted. In this context, the submission of Seiko Epson might partly explain its market success but does not demonstrate conclusively that it was not its dumping that contributed to the material injury to the Community industry.
- (106) As to the alleged superior marketing of the Japanese exporters and the superior quality of the Japanese printers, no evidence was either submitted to the Commission or discovered by it to indicate that printers manufactured by Community producers as a whole were inferior, required more servicing or were inadequate for the needs of the end users. In contrast to this allegation, the Commission was supplied by the Community producers with articles published in independent but specialized magazines which praised the efficiency and compatibility of the printers of the different Europrint members. There was also no substantial indication that Europrint's members' distribution networks or after-sales services were inferior to those of the Japanese exporters. These arguments could not therefore be accepted.
- (107) Insofar as Apple's arguments are concerned, the Commission noted that Apple approached only two Community producers. Apple cannot therefore argue convincingly that it was impossible to obtain Community sourcing for its Imagewriter printer model for reasons of quality. With regard to the

capacity argument, the Commission noted first that Apple refers to the Community capacity figure for 1986, which was already heavily depressed by the Community industry's unsatisfactory sales figures which were affected by the dumping practices of the Japanese exporters. It is unacceptable to use figures depressed by dumping practices as an argument to demonstrate that capacity is too low. Secondly, the Commission found that the capacity figures given by the Community industry show the one shift capacity. A two or three shift capacity of the Europrint members, which could be achieved without any substantial new investment, can be estimated to be at least twice as high as these present capacity figures. For the purposes of these provisional findings, the Apple argumentation therefore could not be accepted.

(d) Conclusion

- (108) In conclusion, the volume of the dumped imports, their market penetration, the prices at which the dumped printers have been offered in the Community, and the losses and loss of profit suffered by the Community industry led the Commission to determine that the effect of dumped imports of SIDM printers originating in Japan, taken in isolation, have to be considered as causing material injury to the Community industry.

J. COMMUNITY INTEREST

(a) General considerations

- (109) In assessing whether it is in the interest of the Community to take measures against the dumped SIDM printer imports from Japan which have been shown to cause material injury to the complainant Community industry, the Commission considered in the first place that printers form a key part in electronic data processing and that the printer industry is an essential part of the office-equipment industry. Printers are the computer's main output device and the only device capable of providing the end user with a hard copy of the computer input and output. Thus, printer technology has to be developed in parallel with computer technology in terms of configuration, sophistication and power. Since printers and computers are closely connected, the abandoning of, or substantial cuts in, the production of printers by the Community industry would also have serious negative effects on the electronic data-processing industry in the Community.

- (110) Secondly, the Commission considered that, since the numerous printer technologies are fast developing, printer manufacturers have to be in a healthy economic position in order to participate in this development. It is indeed evident that only companies which have sufficient resources can make the necessary investments in order to compete on the market for the latest generation of printers, i.e. those possessing non-impact technologies such as laser, ion deposition, thermal or ink-jet techniques. An ailing SIDM-printer manufacturer or even a vulnerable SIDM-printer manufacturing department of a bigger company making no or only very low profits on their SIDM printer sales will not, however, be in a position to take up this technological challenge. Lagging behind in such a fast-developing market will have further inevitable negative effects on employment. The Commission therefore considers it necessary and in the Community interest to preserve a healthy Community printer industry.
- (b) *Arguments of exporters, importers, dealers and end users*
- (111) In this respect, CJPRINT and Seiko Epson doubt whether the imposition of anti-dumping duties will effectively increase the market shares and profitability of Community printer manufacturers. CJPRINT predicts that even after the imposition of duties the Community industry will retain their current market strategies. Furthermore, the low end of the market segment is largely saturated with no room at all or very little left for additional volume or profit and in the other market segments the Community industry is already profitable. CJPRINT also argues that anti-dumping duties are far more likely to assist non-Community competitors and are bound to have the dangerous effect of supporting the price effectiveness of printers using non-impact printing technologies which are not yet being produced within the Community.
- (112) The exporters also foresee that duty-inflated Japanese printer prices will create obstacles for the expansion and modernization of office automation throughout the Community, with negative effects on the Community's finance, business, science, education, legal, manufacturing and retail sectors, and deprive them of a competitive edge relative to their counterparts worldwide.
- (113) Numerous printer dealers and end users expressed the view that anti-dumping duties would distort competition, impede new investments in office automation and endanger employment in the distribution sector, since OEM importers or distributors may absorb the duty but by doing this reduce their profits.
- (114) It was also argued that duties could stifle Japanese research and development efforts on printers destined for the Community and thus retard Community technological development, and that they will cause a deterioration in the position of those Community enterprises directly related to personal computers with a probable decline in their profits and employment. Finally, CJPRINT stressed that Japanese printer sales in the Community have created numerous jobs in the distribution sector.
- (115) Apple submitted that higher purchasing prices for the Imagewriter printer model would nevertheless not induce Apple to buy Community-manufactured printers. However, anti-dumping duties would endanger the whole system of international trade since any other country could also be inclined to force Apple to source its printers for its personal computer systems in that country.
- (116) The Commission has taken account of all these views and of the likely effects on prices and competition which could be expected to ensue from the imposition of provisional anti-dumping duties. It notes firstly that it is difficult to anticipate these effects but that experience gathered from other anti-dumping proceedings shows that relief given by anti-dumping duties had the expected positive effect on the Community industry. As to the forecast that anti-dumping duties will be ineffective in this particular case, the argument on which this is based, namely that the European Industry adopted the wrong market strategies, has already proved to be incorrect. Furthermore, the fact that sales in the low market segment are not highly profitable and that profit is also reduced in the other market segments is due to the heavy dumping which occurred and which is exactly what anti-dumping duties are supposed to prevent. The Commission cannot, therefore, agree with the exporters that there is no need for anti-dumping duties. On the contrary, it is confident that the re-establishment of fair-price competition will, on the one hand, enable the Community producers to achieve the necessary profits and, on the other hand, force the Community industry to adapt to, or even to develop, new technologies.

- (117) As far as the alleged assistance to non-Community competition is concerned, the Commission is of the opinion that the re-establishment of fair-market conditions should indeed be advantageous to all economic operators regardless of whether they be within or outside the Community.
- (118) With regard to the interests of the processing industry, the distributors and the end users, as well as of the consumers, the Commission is of the opinion that these interests have to be weighed against the multiple consequences of not offering protection by the re-establishment of fair competitive conditions to a viable Community manufacturing industry of SIDM printers. The Commission is aware that prices for printers of Japanese origin might increase and that end users or OEM companies might therefore have to pay more for their printer supplies or for business equipment. It should, however, be kept in mind that the price advantages which these buyers previously enjoyed originated from unfair business practices and that there is no justification for allowing these unfair low prices to persist. Neither can the Commission accept the argument that anti-dumping duties will retard technological development or modernization of office automation since these duties are supposed to help the Community printer industry to regain sufficient profitability under normal business conditions in order to invest in new technologies.
- (119) As far as employment is concerned, the Commission is of the opinion that higher prices for Japanese printers will not have such a sensitive effect on employment in the distribution sector as claimed. Since the overall demand for printers will increase, according to all forecasts available to the Commission, it does not see any imminent danger for employment in the distribution sector. In addition, the Commission considers that, on balance, the Community's interests lie more in maintaining employment in the manufacturing sector of the Community industry than in protecting a dealer and distributor business which depends to a great extent on imports. In this respect, it should be noted that, for an industry which can expect profitability in its printer business, an increase in production and sales of Community printers will have an immediate and positive effect on employment. This was confirmed by the calculations of the Community industry which were made available to the Commission. It can therefore be expected that any negative changes in the overall number of employees in the processing industries and the distribution sector, if it happens at all, will be limited and be far outweighed by increases in employment in the manufacturing industry.

- (120) Finally, the Commission cannot accept either Apple's or the dealers' argument that anti-dumping duties will distort competition and force them to use a specific source for their supplies. The re-establishment of fair-business conditions between printer manufacturers within and outside the Community cannot have a distorting effect on competition. On the contrary it will make fair-price competition workable again with beneficial effects for dealers and consumers. OEM customers as well as consumers will still have the full and free choice to purchase their printers where they decide to do so.

(c) *Conclusion*

- (121) In considering all the foregoing aspects, the Commission found that the Community interests call for granting protection to the Community industry. As to the question of whether injury should be prevented before definitive findings are made, the Commission had to take account of the rapidity with which the conditions of the Community industry have worsened in recent years and especially during the reference period. The Commission therefore considers it necessary to bring this process preliminarily to a halt.
- (122) In conclusion, and on the basis of its provisional findings, the Commission is of the opinion that it is in the overriding interest of the Community that injury due to dumping be provisionally eliminated and that the Community industry be accorded provisional protection against dumped imports from Japan. In order to prevent further injury being caused during the remainder of the proceeding, the action taken should take the form of provisional anti-dumping duties.

K. DUTY

- (123) In order to eliminate the injury suffered by the Community producers their selling prices have to be substantially increased. This should enable the Community producers to cover their costs of production and to provide them with an adequate profit. Consequently, the duty should be such as to eliminate the price undercutting of the Japanese exporters and to allow the Community manufacturers to increase their prices and their sales in order to achieve an adequate return on sales.
- (124) As far as the elimination of price undercutting is concerned, the Commission considered that the duty should cover the average price undercutting margin provisionally established, i. e. 10 %.

- (125) As far as the return on the sales of SIDM printers in the Community is concerned, the Community industry claimed that a return of between 18 % and 20 % was required to operate competitively and commercially, taking account of research and development, factory automation, advertising requirements and the costs of the appropriate financing in the Community.
- (126) The Commission took the view that, indeed, the short product life of SIDM printers and the necessity for the Community industry to be able to introduce new models requires increased research and development, new investment in factory automation and higher marketing expenditures. Further, the new printer technologies which may replace the impact technology in the near future will need additional research and development expenditures. In this respect, the Commission took account of the average current expenditure of the Community manufacturers in these fields and considered that a return on sales of SIDM printers of 12 % was an appropriate minimum. This rate on revenue is in line with the usual return on sales of the Community manufacturers in the last few years in other office automation sectors.
- (127) When calculating the minimum amount of duty and having regard to the average price-undercutting margin and the adequate profit margins, the Commission had, however, to consider that even under the present circumstances the Community industry as a whole is still profitable. Therefore, it took into account the average return of the Community industry on its sales of SIDM printers (own production) in the Community during the investigation period. In view of the foregoing, a factor was calculated representing the difference between the actual prices of the Japanese printers and the future sales prices in the Community for the Japanese exporters as a whole after anti-dumping duties which should enable the Community industry to achieve a return of 12 % on its sales of SIDM printers. This calculation gave a price increase of 20,5 %.
- (128) In order to establish the rate of duty to be imposed provisionally, the Commission had to express the price-increase factor referred to in recital 127 as a percentage of the cif value of the imports of SIDM printers from Japan. To do this, it had first to establish the weighted average cif value of the Japanese imports. Thus, the Commission referred to the 10 Japanese exporters and their printer models, the prices of which had been used to establish the price-undercutting margins. These exporters account for 83 % of all Japanese exports of SIDM printers to the Community for which information was available. Further, more than 82 % of the sales of these exporters were made by their related importers. On the basis of the information given by these exporters, the average selling price of all sales and the average cif value of all imports by related importers of the printer models concerned was established. It was found that the cif value expressed as a percentage of the selling price to the first unrelated buyer was 68 %.
- (129) The percentage referred to in recital 127 was then expressed as a percentage of the cif value found. The result of this calculation is 33,4 %, which is the price increase at the Community frontier necessary to remove the injury.
- (130) The Commission recognises that a provisional duty will not necessarily bring about the beneficial effects for the Community industry as described above during the limited time period for which it is in force. However, the considerations explained above are set out among other reasons so as to give interested parties an opportunity to comment on them.
- (131) Accordingly, and in order that the injurious effect of the dumped imports be eliminated, if possible, it was considered appropriate that the amount of provisional duty to be imposed should be 33,4 % for the exports of all companies for which a dumping margin equal to or higher than this percentage had been found. For the remaining companies the provisional anti-dumping duty should equal the dumping margins established.
- (132) The provisional duty to be imposed shall apply to all serial-impact dot-matrix printers from Japan with the exception of those printers which are special-purpose printers designed for specific applications. To determine the SIDM printers to which provisional duties shall not apply, the appropriate criterion is that they are used in bank machines, automated teller machines, electric cash registers, point-of-sale machines, calculators, ticket-issuing machines and receipt-issuing machines which have only one pitch and/or magnetic-stripe readers and/or automatic page-turner drives.
- (133) A period should be fixed within which the parties concerned may make their views known and request a hearing. Furthermore, it should be stated that all findings made for the purpose of this Regulation are provisional and may have to be reconsidered for the purpose of any definitive duty which the Commission may propose,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is hereby imposed on imports of serial-impact dot-matrix printers falling within CN code ex 8471 92 90 and originating in Japan.

2. The rate of duty shall be 33,4 % of the net free-at-Community-frontier price before duty, with the exception of imports of the products specified in paragraph 1 which are sold for export to the Community by the following companies, the rate of duty applicable to which is set out below:

— Alps Electrical Co. Ltd :	7,4 %,
— Copal Co. Ltd :	18,6 %,
— Japan Business Computer Co. Ltd :	22,4 %,
— Nakajima Ltd :	12,3 %,
— OKI Electric Industry Co. Ltd :	9,2 %,
— Shinwa Digital Industry Co. Ltd :	10,5 %,
— Star Micronics Co. Ltd :	13,6 %,
— Tokyo Electric Co. Ltd :	4,8 %.

3. The duty specified in this Article shall not apply to those products described in paragraph 1 which have the following specifications: serial-impact dot-matrix printers for use in bank machines, automated teller machines,

electric cash registers, point-of-sale machines, calculators, ticket-issuing machines and receipt-issuing machines which have only one pitch and/or magnetic-stripe readers and/or automatic page-turner drives.

4. The provisions in force concerning customs duties shall apply.

5. The release for free circulation in the Community of the products referred to in paragraph 1 shall be subject to the provision of a security, equivalent to the amount of the provisional duty.

Article 2

Without prejudice to Article 7 (4) (b) and (c) of Regulation (EEC) No 2176/84, the parties concerned may make known their views and apply to be heard orally by the Commission within one month of the date of entry into force of this Regulation.

Article 3

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Communities*.

Subject to Articles 11, 12 and 13 of Regulation (EEC) No 2176/84, Article 1 of this Regulation shall apply for a period of four months, unless the Council adopts definitive measures before the expiry of that period.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 May 1988.

For the Commission

Willy DE CLERCQ

Member of the Commission