Small Diameter Graphite Electrodes From China

Investigation No. 731-TA-1143 (Preliminary)

Publication 3985 **March 2008**

Washington, DC 20436

U.S. International Trade Commission

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Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1143 (Preliminary)

SMALL DIAMETER GRAPHITE ELECTRODES FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of small diameter graphite electrodes,[2] provided for in subheading 8545.11.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATION

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On January 17, 2008, a petition was filed with the Commission and Commerce by SGL Carbon LLC, Charlotte, NC and Superior Graphite Co., Chicago, IL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of small diameter graphite electrodes from China. Accordingly, effective January 17, 2008, the Commission instituted antidumping duty investigation No. 731-TA-1143 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 25, 2008 (73 FR 4627). The conference was held in Washington, DC, on February 7, 2008, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Chairman Daniel R. Pearson and Commissioner Dean A. Pinkert made affirmative determinations based on a reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports of small diameter graphite electrodes from China that are alleged to be sold in the United States at less than fair value.

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of small diameter graphite electrodes ("SDGE") from China that allegedly are sold in the United States at less than fair value ("LTFV").[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. BACKGROUND

The petition in this investigation was filed on January 17, 2008, by SGL Carbon LLC ("SGL") and Superior Graphite Company ("Superior"). Representatives from both producers appeared at the conference and they filed a joint postconference brief. Ten Chinese producers/exporters of the subject merchandise (Bejing Fangda Carbon Tech Co., Ltd.; Chendu Rongguang Carbon Co., Ltd.; Dalian Thrive Metallurgy Import & Export Co., Ltd.; Fandga Carbon New Material Co., Ltd.; Fushun Carbon Co., Ltd.; Fushun Jinly Petrochemical Carbon Co., Ltd.; Guangshan Shida Carbon Co., Ltd.; Jilin Carbon Import & Export Co.; Nantong River East Carbon Joint Stock Co., Ltd; and Shanghai GC Co., Ltd.) and five importers of the subject merchandise (Ameri-Source Specialty Products Inc.; Ceramark Technology Inc.; Fedmet Resources Corp./Diamond Graphite; Graphite Electrode Sales, Inc.; and M. Brashem, Inc.) were represented by counsel at the conference (all Chinese producers/exporters and importers are referred to collectively as "Respondents"). Respondents also submitted a postconference brief in this investigation.[4]

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[1] Chairman Daniel R. Pearson and Commissioner Dean A. Pinkert find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of small diameter graphite electrodes from China that allegedly are sold in the United States at LTFV. See Separate Views of Chairman Daniel R. Pearson and Commissioner Dean A. Pinkert. They join Sections I, II, III and IV. A. of this opinion.

[2] 19 U.S.C. § 1673b(a); see also, e.g., Co-Steel Raritan, Inc. v. United States, 357 F.3d 1294 (Fed. Cir. 2004); American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[3] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] The Commission received questionnaire responses from SGL and Superior, which accounted for all U.S. production of SDGE in 2006. The Commission sent foreign producer/exporter questionnaires to 102 firms identified (continued...)

III. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[5] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[6] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[7]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[8] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[9] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[10] Although the Commission must accept the determination of the U.S. Department of Commerce

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[4] (...continued)
in the petition as producers or exporters of SDGE in China for which contact information was publicly available. Thirteen firms provided responses to the Commission's questionnaires. The responding firms reported that they accounted for an estimated 65 percent of production of SDGE in China during 2006, and an estimated 89.9 percent of exports to the United States of SDGE during 2006. Confidential Report ("CR") and Public Report ("PR") at I-2 and VII-1.

[5] 19 U.S.C. § 1677(4)(A).

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(10).

[8] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[9] See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

[10] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49. See also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration").

("Commerce") as to the scope of the imported merchandise allegedly sold at LTFV,[11] the Commission determines what domestic product is like the imported articles Commerce has identified.[12] The Commission must base its domestic like product determination on the record in this investigation. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[13]

B. Product Description

Commerce's notice of initiation defines the imported merchandise within the scope of this investigation as follows:

> all small diameter graphite electrodes, of any length, whether or not finished, of a kind used in furnaces, with a nominal or actual diameter of 400 millimeters (16 inches) or less, of any length, and whether or not attached to a graphite joining system or any other type of joining system or hardware. Small diameter electrodes are most commonly used in primary melting, ladle metallurgy, and specialty furnace applications in industries including foundries, smelters, and steel refining operations. Small diameter graphite electrodes subject to this investigation are currently classifiable under HTS subheading 8545.11.0000.[14]

SDGE are cylindrical in shape and are produced from various grades of petroleum coke. SDGE conduct electricity at very high amperages to generate the heat necessary to melt and further refine steel. SDGE are generally used in ladle metallurgy, primary low-duty melting, and specialty furnace applications, such as the electric arc furnaces in steel-making "mini-mills."[15] Typically, nine electrodes, joined in columns of three by a threaded connecting system, are used in the average electric arc furnace to melt scrap steel. Because of the intensity of the melting process, the electrodes are continuously consumed.[16]

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[11] See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002)(unpublished opinion) at 9 ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

[12] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[13] Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp. 2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT at 455; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[14] Small Diameter Graphite Electrodes from the People's Republic of China: Initiation of Antidumping Duty Investigation, 73 Fed. Reg. 8287 (Feb. 13, 2008).

[15] CR at I-6-I-7, PR at I-4-I-5; Respondents' Postconference Brief at 9.

[16] CR at I-6-I-7, PR at I-5; Respondents' Postconference Brief at 9.

The grade of coke, along with characteristics such as size, determines the amount of current an electrode can carry. SDGE are manufactured from a range of petroleum coke grades, from low grade anode coke to premium high grade needle coke, resulting in a variety of grades, including regular power ("RP") or normal power ("NP"), medium power ("MP"), high power ("HP"), super high power ("SHP"), and ultra high power ("UHP").[17] SDGE are produced and sold in diameter increments of 2 inches, ranging from 2 inches through 16 inches.[18] For purposes of this investigation, graphite electrodes above 16 inches in diameter are deemed large diameter graphite electrodes ("LDGE"). Although domestic producers indicated that they can produce the full range of grades and sizes of SDGE, they produced SDGE only in 8 inch to 16 inch diameters during the period of investigation. Importers reported that Chinese SDGE are sold in all diameters and grades in the U.S. market.[19]

C. Domestic Like Product

Petitioners argue that the Commission should find one domestic like product consisting of SDGE coextensive with Commerce's scope of investigation. They stress that there are pronounced differences between SDGE and LDGE. Respondents, however, contend that the domestic like product should be expanded to include LDGE because SDGE and LDGE form a continuum of the same product, graphite electrodes.

Accordingly, we consider whether the domestic like product should be broadened beyond the scope to include LDGE. For the reasons discussed below, for purposes of this preliminary determination, we find a single domestic like product consisting of all domestically produced SDGE.

Physical Characteristics and End Uses. Both SDGE and LDGE are smooth, cylindrical in shape, and are produced from coke that is formed into shape by extrusion into an electrode of the desired grade, diameter, and length. Both LDGE and SDGE are joined in columns of three, each by a threaded connecting system.[20] SDGE are produced from a range of petroleum coke, such as anode (or sponge) coke and needle grade coke, while large diameter graphite electrodes typically are produced with 100-percent premium needle coke.[21] SGL, however, indicated that it uses premium needle grade coke in some of the SDGE it produces (14 inch and 16 inch diameters) in order to meet customers' performance requirements.[22] The use of different raw material mixes allows both SDGE and LDGE to be produced in a variety of grades. SDGE are generally produced in six different grades, while LDGE are typically produced in the three highest of the six grades.[23]

The grades of coke used to produce LDGE and SDGE, along with other characteristics such as size, determine the amount of electrical current the electrode can carry. SDGE typically have lower current carrying capacity ranging from 15,000 to 60,000 amps, but do not exceed 70,000 amps. LDGE can

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[17] CR/PR at II-1.

[18] Transcript at 45-47 (Stinson).

[19] CR at II-6, PR at II-4.

[20] CR at I-7, PR at I-5; Respondents' Postconference Brief at 7.

[21] CR at I-8, PR at I-6.

[22] CR at I-8 n.20, PR at I-6 n.20.

[23] SDGE generally are produced in RP, NP, MP, HP, SHP, and UHP grades, while LDGE are typically produced in HP, SHP, and UHP grades. CR at I-8, PR at I-6.

carry 60,000 to 160,000 amps. But while SDGE and LDGE have differing current carrying capabilities, the same is true for diverse sizes within each group of products;[24] according to both Respondents and Petitioners, common current capability is only present within adjacent sizes.[25] SDGE and LDGE share certain physical characteristics such as bulk density, resistance, coefficient of thermal expansion, ratio of consumption, and porosity, although the ranges of each of these physical characteristics for SDGE and LDGE may vary.[26]

Both SDGE and LDGE are used as conductors of electricity in electric furnaces, such as electric arc furnaces in steel-making "mini-mills." Both groups of products conduct electricity at high amperages to generate the heat necessary to melt and further refine steel. SDGE, however, are generally used in steel refining, foundry applications, steel melting, and other uses.[27] Additionally, ***.[28] Because of their higher current carrying capacity and their coke make-up (premium needle coke), LDGE are used almost exclusively in higher intensity uses, in particular, steel melting in large electric arc furnaces. According to Petitioners, "only about 5 percent of LDGE are used in secondary ladle and refining operations to support the largest size melting operations."[29] Petitioners indicate that new electric arc furnaces, which require current capability well in excess of 100,000 amps, do not utilize graphite electrodes in diameters under 24 inches.[30] Petitioners reported that, while some LDGE in 18 inch diameters are used in ladle applications, virtually all LDGE are used in steel melting applications.[31]

Interchangeability. The optimum electrode diameter is determined by the design of the equipment that uses the electrode and the equipment's electrical and operating specifications. According to the Petitioners, it is cost prohibitive to convert the equipment, such as the holders in electric arc furnaces, to accept any different diameter-sized electrode, regardless of whether or not the electrode was SDGE or LDGE.[32] Both Respondents and Petitioners indicated that interchangeability of all graphite electrodes is limited only to adjacent diameters which have common current capability.[33] Petitioners testified that "[b]etween two sizes, you might be able to move up one or down within there, but they are all going to be made of the same grade needle coke and be able to handle those higher powers."[34] Petitioners, however, also testified that SDGE cannot be interchanged for LDGE as LDGE are produced to withstand

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[24] Transcript at 110 (Buchanan).

[25] Transcript at 65-66 (Luberda), 110, 135 (Buchanan).

[26] CR/PR at Table I-2, CR at I-8, PR at I-6.

[27] Other uses include smelter, fused metal oxide production, waste recovery, waste encapsulation, and other minor furnace applications. CR at I-7 and n. 15, PR at I-5 and n.15; Respondents' Postconference Brief at 9.

[28] CR/PR at D-3.

[29] CR at I-7, PR at I-5; Petitioners' Postconference Brief at 7.

[30] Petitioners' Postconference Brief at 7.

[31] ***.

[32] Transcript at 63-64 (Stinson).

[33] Transcript at 65-66 (Luberda), 110, 135 (Buchanan);

[34] Transcript at 66 (Luberda).

stress-intensive applications and to prevent breakage within electric arc furnaces.[35] In addition, Respondents testified that in high powered melting applications "a small diameter electrode, 12 inch would fall apart in a 24 inch application, because it's a 12 inch electrode . . . ."[36]

Channels of Distribution. LDGE are sold directly to end users as are *** SDGE. A *** portion of SDGE sales is to distributors.[37]

Manufacturing Facilities, Production Processes, and Employees. Both SDGE and LDGE are manufactured by the same basic production processes. Graphite electrodes are all made from petroleum coke that is formed into shape by extrusion into electrodes of various diameters and lengths. The formed electrodes are then baked. The baked electrodes are impregnated with pitch and rebaked. Afterwards, the baked electrodes are heated in a furnace to extremely high temperatures of up to 3,000 degrees centigrade, and are transformed into graphite, a process known as graphitization. The graphite electrodes are then refinished by machining to the exact dimension and tolerances specified by customers.[38] According to Petitioners, LDGE may undergo additional baking to produce higher resistence tolerances.[39]

There is some overlap in manufacturing facilities for SDGE and LDGE. SGL is able to produce both products on the same equipment using the same employees. Superior is not able to produce LDGE on the same equipment as SDGE, due to size limitations in equipment such as forming dies, baking furnaces and stagers, receiver sizes, and machine lines. There are two U.S. companies, Showa Denko Carbon, Inc. ("Showa") and C/G Electrodes LLC ("CG"), that produced only LDGE during the period of investigation. Both had previously produced SDGE on the same manufacturing equipment that they currently use to produce LDGE, although not during the investigation period. It appears from the record that their decisions not to produce SDGE are related to ***.[40]

Producer and Customer Perceptions. There are no industry standards that establish a specific diameter distinction between LDGE and SDGE. In their marketing literature, Showa and C/G refer to themselves as producers of large diameter graphite electrodes and Superior refers to itself as a producer of small diameter graphite electrodes. On the other hand, SGL, the only producer of both SDGE and LDGE, advertises itself as a producer of graphite electrodes.[41]

There is little information on the record with respect to customer perceptions. Petitioners indicate that it is typical to receive separate quotation requests for LDGE and SDGE from steel mills with both large melt operations and refining ladle operations.[42] We note, however, that the examples of quotations provided by the Petitioners are sometimes for only one size, or similar sizes, and that the quotations to one company are for a ***-inch product and a ***-inch product.[43]

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[35] Petitioners' Postconference Brief at 11.

[36] Transcript at 135-136 (Buchanan).

[37] CR/PR at II-1; Petitioners' Postconference Brief at 15.

[38] CR at I-10, PR at I-8; Petitioners' Postconference Brief at 9.

[39] Petitioners' Postconference Brief at 9.

[40] Respondents' Postconference Brief at 14; ***.

[41] Petitioners' Postconference Brief at 18-19, Exhibits 4, 5, and 6.

[42] Petitioners' Postconference Brief at 18.

[43] Petitioners' Postconference Brief at Exhibit 7.

Price. The record shows that the average unit values for SDGE during the period of investigation were *** than the average unit values for LDGE. According to Petitioners, SDGE are typically lower priced than LDGE, reflecting differences in the products' composition and physical characteristics.[44] Respondents agree that higher grade electrodes are more costly because they incorporate the most costly grades of coke. Additionally, they state that is true throughout the "continuum" of electrodes, as the larger the diameter and length, the higher the price of the electrode.[45]

Conclusion. Generally, both SDGE and LDGE are produced from the various grades and mixes of petroleum coke and act as conductors of electricity regardless of their size and quality to generate heat sufficient to melt steel. It appears, however, that based on diameter and the variety of coke used, SDGE and LDGE are used primarily for different applications. Smaller graphite electrodes are used in applications requiring smaller furnaces, such as ladle furnaces in steel refining operations and in lower duty melting applications necessary for foundry and smelter operations. LDGE, on the other hand, are used almost exclusively in steel melting applications. There is some overlap of LDGE and SDGE usage in steel-melting applications in electric arc furnaces. SDGE, however, do not have sufficient current carrying capabilities to meet the requirements of the new electric arc furnaces used in the steel industry, which run at over 100,000 amperes.

While the record indicates that SDGE generally cannot be interchanged for LDGE in steel melting applications, it also shows that the interchangeability of all graphite electrodes is largely limited to adjacent diameter sizes. Both SDGE and LDGE are manufactured by the same production processes, are produced by SGL on the same machinery and using the same employees, and for the most part are sold through the same channel of distribution. The record is mixed as to whether LDGE and SDGE are perceived by producers to be different products and there is, at best, limited information concerning customer perceptions, a critical factor here. With respect to price, although average unit values for SDGE during the period of investigation were *** the average unit values for LDGE, the record suggests that this may be true within the entire range of graphite electrodes, as the larger the diameter and length, the higher the price of the electrode.

The limited record in the preliminary phase of this investigation indicates that there are both differences and similarities between SDGE and LDGE with respect to each of the six factors. Based on the current record, while it is a close question, we define the domestic like product to be SDGE. In any final phase investigation, we intend to collect additional information, particularly from purchasers concerning their perceptions of the products, and to revisit the issue of whether SDGE and LDGE should be characterized as a continuum of products without a clear dividing line.[46] [47]

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[44] Petitioners' Postconference Brief at 19.

[45] Transcript at 117-118 (Buchanan).

[46] Both Petitioners and Respondents have cited a number of prior investigations to support their differing positions as to the appropriate definition of the domestic like product in this investigation. These past investigations generally address such issues as whether the domestic like product should encompass products not within the scope and whether a continuum of products within the scope should be divided into separate domestic like products.

As the Commission itself has noted, determinations defining the domestic like product in other investigations of differing products have little utility as each determination is based on the record of each case, including the arguments made by the parties. Certain Aluminum Plate From South Africa, Inv. 731-TA-1056 (Preliminary) USITC Pub. 3654 (Dec. 2003) at n. 59, citing Nippon Steel Corp. v. United States, 19 CIT 450, 454-55 (1995); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075,1087-88 (CIT 1988); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1669 n.5 (CIT 1988). Moreover, the cases that discuss whether a continuum of products included in the scope should be divided into separate like products are

(continued...)

We therefore define the domestic like product as SDGE, coextensive with the scope in this investigation.

D. Domestic Industry

The domestic industry is defined as the "producers as a {w}hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[48] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[49]

Consistent with our definition of the domestic like product, we define the domestic industry as including all domestic producers of SDGE, that is, SGL and Superior.

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS[50]

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[51] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production

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[46] (...continued)
unpersuasive here. The inquiry in this matter is how to treat a continuum of products in the context of whether to define the domestic like product to encompass articles outside the scope. In cases such as the one presented in this matter, the Commission "is faced with determining where the continuum line ends." Aluminum Plate at 11 n.59, citing Minivans from Japan, Inv. No. 731-TA-522 (Final), USITC Pub. 2529 at 6 (July 1992).

[47] Commissioner Lane agrees that the domestic like product should be defined as SDGE, coextensive with the scope in this investigation. However, she does not agree that based on the current record this is a close question. The line that distinguishes SDGE from LDGE is clearly articulated in the scope of the investigation and there are clear distinctions between SDGE and LDGE. She does not find that differences in characteristics of products that fall within the scope of the investigation is a reason to expand the definition of domestic like product to include a wider range of products that have even more differing characteristics and limited, or no, interchangeability with SDGE. Moreover, although Congress has indicated that the definition of domestic like product should not be interpreted in such fashion as to prevent consideration of an industry adversely affected by the imports under consideration, there is no indication that defining the domestic like product coextensive with the scope excludes products that are affected in any way by subject SDGE imports.

[48] 19 U.S.C. § 1677(4)(A).

[49] United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[50] Negligibility is not an issue in this investigation under 19 U.S.C. § 1677(24). The petition was filed on January 17, 2008. Subject imports from China accounted for *** percent of total imports of the merchandise in the most recent 12-month period (October 2006 through September 2007) for which data were available that preceded the filing of the petition. Calculated from CR/PR at Table IV-5.

[51] 19 U.S.C. §§ 1671b(a) and 1673b(a).

operations.[52] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[53] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[54] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[55]

For the reasons stated below, we determine that there is a reasonable indication that the domestic industry producing SDGE is materially injured by reason of subject imports from China.

A. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis.

1. Product Considerations

SDGE are made from various grades and mixes of petroleum coke and act as conductors of electricity in furnaces that heat and melt scrap metal or other material used to produce steel and other materials.[56] As the electrical and operating requirements of the equipment that uses electrodes determines the electrode's optimum size and physical characteristics, SDGE are produced according to individual customers' specifications.[57]

2. Demand Conditions

The demand for SDGE is largely determined by the level of steel production. Apparent U.S. consumption of SDGE has fluctuated during the period of investigation, but increased overall by *** percent from 2004 to 2006. Apparent U.S. consumption decreased from *** metric tons in 2004 to *** metric tons in 2005, and then increased in 2006 to *** metric tons.[58] Apparent consumption was *** percent lower in interim 2007 (*** metric tons) compared to interim 2006 (*** metric tons).[59] The increase in demand during the period of investigation was most commonly attributed by U.S. producers

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[52] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). See also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[53] 19 U.S.C. § 1677(7)(A).

[54] 19 U.S.C. § 1677(7)(C)(iii).

[55] 19 U.S.C. § 1677(7)(C)(iii).

[56] CR/PR at II-1.

[57] CR at I-7, PR at I-5-I-6.

[58] CR/PR at Tables IV-4 and C-1.

[59] CR/PR at Tables IV-4 and C-1.

and importers to increased steel production. According to Petitioners, the reopening of old integrated steel mills over the last four years, because of the strong demand for steel, has contributed to an increase in demand for SDGE.[60]

3. Supply Conditions

As noted above, the domestic industry consists of SGL and Superior.[61] *** domestic producers reported that they were capable of producing the full range of grades and sizes of SDGE. SGL reported that it currently produces SDGE in diameters of 14 and 16 inches. It stopped production of SDGE in diameters of 10 and 12 inches in 2006. Superior reported that it currently produces SDGE in diameters from 8 inches to 16 inches.[62] The domestic industry's capacity to produce SDGE remained constant at *** metric tons from 2004 to 2006, although it was *** lower in interim 2007 (*** metric tons) when compared to interim 2006 (***).[63]

During the period of investigation, the U.S. market for SDGE was supplied by the domestic industry, subject imports, and nonsubject imports.[64] Domestic producers' share of the U.S. market declined from *** percent in 2004 to *** percent in 2006, and was lower at *** percent in interim 2007 compared to *** percent in interim 2006.[65] Subject imports' share of the U.S. market increased from *** percent in 2004 to *** percent in 2006, and was higher in interim 2007 at *** percent compared to *** percent in interim 2006.[66] On the other hand, the U.S. market share held by nonsubject imports fluctuated, decreasing *** overall from *** percent in 2004 to *** percent in 2006, and was *** higher at *** percent in interim 2007 compared to *** percent in interim 2006.[67]

4. Substitutability and Other Conditions

The record indicates that interchangeability of SDGE, regardless of source, appears to be limited to adjacent diameter sizes.[68] Interchangeability of SDGE is also limited by the fact that SDGE are produced according to individual customers' specifications.[69]

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[60] CR at II-4-5, PR at II-3. The re-opened mills reportedly are mostly blast furnace operations that use SDGE in diameters ranging from 12 inches to 16 inches. CR at II-5 n. 4, PR at II-3 n.4.

[61] CR/PR at Table III-1.

[62] CR at II-6; PR at II-4.

[63] CR/PR at Tables III-2 and C-1.

[64] CR/PR at Tables IV-4 and C-1.

[65] CR/PR at Table IV-6.

[66] CR/PR at Table IV-4 and C-1.

[67] CR/PR at Tables IV-4 and C-1.

[68] Transcript at 65-66 (Luberda), 110, 135 (Buchanan)

[69] CR at I-7 n.17; PR at I-6 n.17.

The record indicates that the domestic like product and subject imports are moderately to highly interchangeable. *** U.S. producers that compared the subject imports with the domestic like product reported that they were *** interchangeable. Similarly, all of the importers that compared subject imports with the domestic like product reported that they are always or frequently interchangeable.[70]

*** subject imports are sold predominately through short-term contracts or spot sales. With respect to domestic producers, ***. With respect to importers, short-term contracts range in duration from one month to one year, with most firms reporting short-term contracts of six months or more. Importers' contracts typically contain fixed price and quantity terms.[71]

As noted above, petroleum coke, either in the form of needle coke, anode coke, or other grades, and petroleum pitch or coal tar pitch are the principal raw materials used in producing SDGE. The spot price for oil, which determines the cost of petroleum products, has increased by 171 percent from January 2004 to January 2008, affecting producers' raw material costs. Domestic producers reported that their raw material costs have increased by *** percent on a per-unit basis from 2004 to 2006. Additionally, domestic producers indicated that there has been a shortage of needle coke over the last several years.[72]

B. Volume of the Subject Imports

Section 771(7)(C) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[73]

The volume of subject imports increased during the period of investigation, both in absolute terms and relative to consumption and production in the United States. The volume of subject imports was 9,302 metric tons in 2004, 10,911 metric tons in 2005, and 13,465 metric tons in 2006.[74] In interim 2007, the volume of subject imports was 12,294 metric tons, compared to 10,833 metric tons in interim 2006.[75] Subject imports' share of apparent U.S. consumption rose from *** percent in 2004 to *** percent in 2006. In interim 2007, subject imports' share of apparent U.S. consumption was *** percent (the highest level during the period), compared with *** percent in interim 2006.[76] Additionally, the ratio of subject imports to U.S. production rose *** from *** percent in 2004 to *** percent in 2006. The ratio of subject imports to U.S. production in interim 2007 was *** percent, compared to *** percent in interim 2006.[77]

Subject imports' increase in market share came almost entirely at the expense of the domestic industry. The domestic industry's market share declined from *** percent in 2004 to *** percent in 2006,

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[70] CR at II-5, PR at II-4.

[71] CR at V-4; PR at V-3.

[72] CR/PR at V-1.

[73] 19 U.S.C. § 1677(7)(C)(i).

[74] CR/PR at Table IV-2. U.S. shipments of subject imports from China were *** metric tons in 2004, *** metric tons in 2005, and *** metric tons in 2006. CR/PR at Tables IV-3 and C-1.

[75] CR/PR at Table IV-2. U.S. shipments of subject imports from China were *** metric tons in interim 2007, compared to *** metric tons in interim 2006. CR/PR at Tables IV-3 and C-1.

[76] CR/PR at Tables IV-4 and C-1.

[77] CR/PR at Table IV-5.

and was lower at *** percent in interim 2007 compared to *** percent in interim 2006.[78] Nonsubject imports, by contrast, lost only *** percentage points from 2004 to 2006 and gained market share between the two interim periods.[79] [80]

For the foregoing reasons, we find, for purposes of the preliminary phase of this investigation, that the volume of subject imports is significant, both in absolute terms and relative to consumption and production in the United States.

C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[81]

The record indicates that price is an important factor in purchasing decisions. Domestic producers and a majority of importers reported that non-price differences between subject imports and the domestic like product were only *** in purchasing decisions. A sizeable minority of responding importers, however, reported that non-price differences were always an important factor.[82]

In this investigation, U.S. producers and importers provided quarterly pricing data for four types of SDGE for sales to both end users and distributors.[83] The pricing data show a pattern of pervasive underselling by subject imports. Subject imports undersold the domestic like product in 49 of the 55 quarterly comparisons, with margins of underselling ranging from 0.8 percent to 49.4 percent.[84] Subject imports undersold the domestic like product in all quarterly comparisons of products 1 and 2, in all but one

[78] CR/PR at Tables IV-4 and C-1.

[79] CR/PR at Table IV-4. Nonsubject imports' market share decreased from *** percent in 2004 to *** percent in 2006 but was *** at *** percent in interim 2007 compared to *** percent in interim 2006. CR/PR at Table IV-4.

[80] We note that the domestic industry's production capacity was *** apparent U.S. consumption throughout the period of investigation. CR/PR at Table C-1.

[81] 19 U.S.C. § 1677(7)(C)(ii).

[82] CR/PR at Table II-2.

[83] CR at V-5; PR at V-3-V-4.

[84] CR/PR at Tables V-1-V-5.

quarterly comparison of product 3, and in 7 of 12 quarterly comparisons of product 4.[85] [86] For purposes of this preliminary investigation, we find that there has been significant underselling of the domestic like product by subject imports. We also note that the record includes several confirmed instances where the domestic industry lost sales to low-priced imports.[87] Additionally, as discussed above, the subject imports increased market share at the domestic industry's expense during the period of investigation.

We have also considered movements in price over the period of investigation. The Commission's pricing data fluctuate somewhat but generally show an overall increase in prices for all four domestic products and for all four subject import products between the first quarter of 2004 and the third quarter of 2007.[88] The price for the U.S.-produced product 1 increased by ***; the price for the corresponding subject imports increased by *** percent.[89] The price for the U.S.-produced product 2 increased by *** percent; the price for the corresponding subject imports increased by *** percent.[90] The price for the U.S.-produced product 3 increased by *** percent; the price for the corresponding subject imports increased by *** percent.[91] Finally, the price for the U.S.-produced product 4 increased by *** percent; the price for the corresponding subject imports increased by ***.[92] We note that, with respect to product 2, which constituted *** percent of the pricing quantities reported for subject imports, the increase in domestic prices was *** than for the other three products.[93]

Available data do not indicate that subject imports had a significant depressing effect on domestic prices as domestic prices generally rose throughout the period in response to rising costs. There also does not appear to be strong evidence that subject imports had a significant price-suppressing effect from 2004 to 2006. During this time, unit sales values increased by a greater amount than unit cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses.[94] Consequently, the domestic industry's ratio of COGS to net sales fell from *** percent in 2004 to *** percent in 2006 after rising to

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[85] CR/PR at Tables V-1-V-4. The margins of overselling for the six quarterly comparisons with overselling reported ranged from 2.4 percent to 83.1 percent. CR/PR at Tables V-3, V-4, and V-5.

[86] Pricing data were requested separately for sales to distributors and sales to end users. *** of reported sales were to end users. CR at V-5 n.7, PR at V-3 n.7. The pricing data for sales to end users alone also show a pattern of pervasive underselling by subject imports of the domestic product. Subject imports undersold the domestic product in *** out of *** possible quarterly comparisons. CR at V-14 n.10, PR at V-6 n.10.

[87] The Commission confirmed *** of the alleged *** in lost sales over the period of investigation. CR at Table V-7.

[88] CR/PR at Tables V-1-V-4. There were no pricing data for subject imports in the first quarter of 2004 for product 4. CR/PR at Table V-4.

[89] CR/PR at Table V-1.

[90] CR/PR at Table V-2.

[91] CR/PR at Table V-3.

[92] CR/PR at Table V-4.

[93] CR at V-6, PR at V-4.

[94] CR at VI-3, PR at VI-1, CR/PR at Tables VI-1 and C-1.

*** percent in 2005.[95] In interim 2007 compared to interim 2006, however, unit sales values increased by less than the increase in COGS and SG&A expenses.[96] Although unit sales values also increased by $*** between the interim periods, this increase was not sufficient to offset the increase in unit COGS and SG&A, which was $*** higher in interim 2007 than in interim 2006.[97] Consequently, the ratio of COGS to net sales was higher in interim 2007, at *** percent, than in interim 2006, when it was *** percent.[98] Thus, the data for interim 2007 provide some indication of price suppression.[99] We will re-examine the issue of price suppression in any final phase investigation.

Accordingly, the record in this preliminary phase indicates significant underselling and suggests that this underselling led to some price suppression by the final interim period. We also note that the underselling allowed subject imports to gain substantial market share at the expense of the domestic industry. We consequently determine that the subject imports had significant price effects.

D. Impact of the Subject Imports on the Domestic Industry[100]

Section 771(7)(C)(iii) of the Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[101] These factors include output, sales, inventories, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[102]

We have examined the performance indicators in the trade and financial data for the domestic industry producing SDGE. These data indicate declining overall trends, although some indicators have fluctuated during the period examined.

Corresponding to the increases in the volume and market share of subject imports, U.S. production, capacity utilization, and U.S. shipments all declined steadily from 2004 to 2006. Domestic production of SDGE declined by *** percent from 2004 to 2006, and was *** percent lower in interim

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[95] CR/PR at Table C-1.

[96] CR/PR at Table C-1.

[97] CR at VI-3, PR at VI-1, CR/PR at Tables VI-1 and C-1.

[98] CR/PR at Table VI-1.

[99] Ordinarily, we are reluctant to place great weight on comparisons of partial-year periods, but note that interim 2007 represents three-quarters of 2007.

[100] In its notice of initiation, Commerce estimated the alleged dumping margin for subject imports from China ranged from 119.09 percent to 159.34 percent. 73 Fed. Reg. 8287 (Feb. 13, 2008).

[101] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports."). SAA at 885.

[102] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

2007 compared to interim 2006.[103] Domestic producers' U.S. shipments of SDGE declined each year for an overall decline of *** percent from 2004 to 2006 and were *** percent lower in interim 2007 than in interim 2006.[104] While industry capacity remained *** flat over the period of investigation, capacity utilization followed production trends and declined from 2004 to 2006 and was lower in interim 2007 than in interim 2006. Capacity utilization decreased from *** percent in 2004 to *** percent in 2005, and to *** percent in 2006, and was *** percent in interim 2006 and *** percent in interim 2007.[105]

The average number of production related workers declined by *** percent from 2004 to 2006 and was lower in interim 2007 than in interim 2006. Hours worked decreased from 2004 to 2006 and were lower in interim 2007 than in interim 2006. Wages paid initially increased from 2004 to 2005 but declined in 2006 and were lower in interim 2007 than in interim 2006. Hourly wages increased from 2004 to 2006 and were higher in interim 2007 than in interim 2006.[106] The domestic industry's average unit labor costs rose steadily from 2004 to 2006 and were higher in interim 2007 than in interim 2006.[107] Productivity declined from 2004 to 2006, and was lower in interim 2007 than in interim 2006.[108]

The domestic industry's financial indicators were mixed from 2004 to 2006 but *** in interim 2007. While net sales by quantity declined throughout the period of investigation and between the interim periods, the net sales value increased by *** percent from 2004 to 2006, but was *** percent lower in interim 2007 than in interim 2006.[109] While unit sales values increased from 2004 to 2006 and between interim periods, so did both unit COGS and SG&A expenses.[110] As discussed previously, the ratio of COGS to net sales increased from 2004 to 2005 and then, in 2006, fell to below the 2004 level; however,

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[103] U.S. production decreased from *** metric tons in 2004 to *** metric tons in 2005 and to *** metric tons in 2006; and was *** metric tons in interim 2006 and *** metric tons in interim 2007. CR/PR at Tables III-2 and C-1.

[104] The domestic industry's U.S. shipments declined from *** metric tons in 2004 to *** metric tons in 2005 and *** metric tons in 2006. The domestic industry's U.S. shipments were *** metric tons in interim 2006 and *** metric tons in interim 2007. CR/PR at Tables III-3 and C-1.

[105] CR/PR at Tables III-2 and C-1.

[106] The average number of production workers declined from *** in 2004 and 2005 to *** in 2006, and was *** in interim 2006 and *** in interim 2007. The hours worked decreased from *** in 2004 to *** in 2006, and were *** in interim 2006 and *** in interim 2007. Hourly wages increased from *** in 2004 to *** in 2006 and were *** in interim 2006 and *** in interim 2007. The wages paid increased from *** in 2004 to *** in 2006 and were lower in interim 2007 (***) when compared to interim 2006 (***). CR/PR at Tables III-6 and C-1.

[107] The domestic industry's average unit labor costs were *** in 2004, *** in 2005, and *** in 2006, for an overall increase of ***. The domestic industry's average unit labor costs were *** in interim 2006 and *** in interim 2007. CR/PR at Tables III-6 and C-1.

[108] Productivity increased from *** in 2004 to *** in 2005, and then declined to *** in 2006. Productivity was *** in interim 2006 and *** in interim 2007. CR/PR at Table III-6.

[109] The domestic industry's net sales by quantity were *** metric tons in 2004, *** metric tons in 2005, and *** metric tons in 2006. They were lower in interim 2007 (*** metric tons) than in interim 2006 (*** metric tons). CR/PR at Table C-1.

The domestic industry's net sales values were $*** in 2004, $*** in 2005, and $*** in 2006. They were lower in interim 2007 *** than in interim 2006 ***. CR/PR at Table C-1.

[110] CR/PR at Table VI-1.

the ratio was higher in interim 2007 than in interim 2006.[111] In line with the relative movement in sales value and costs, the domestic industry's operating income fell from $*** in 2004 to a *** in 2005, but then improved to $*** in 2006; it was lower in interim 2007 (*** compared to interim 2006 ($***)).[112] The domestic industry's ratio of operating income to sales followed a similar pattern, falling from *** percent in 2004 to *** percent in 2005, then increasing to *** percent in 2006. The operating margin was *** lower in interim 2007 (*** percent) than in interim 2006 (*** percent).[113] [114]

Respondents maintain that any material injury suffered by the domestic industry was not caused by the subject imports. Respondents first contend that the decrease in the domestic industry's production during the period of investigation is due to *** in the domestic industry's export shipments. The record, however, indicates that the decline in production is largely attributable to the decline in the domestic industry's U.S. shipments. While the domestic industry did experience *** in export shipments, export shipments represented a far smaller share of domestic production.[115] We will examine this issue further in any final phase investigation.

Respondents next contend that any material injury is due to one producer's *** performance as a result of its failure to upgrade its facility to enable it to produce at greater volumes and thus efficiently produce graphite electrodes.[116] They emphasize the other producer's performance confirms their contention. As the Respondents themselves have noted, the statute requires the Commission to focus on the domestic industry "as whole."[117] Nevertheless, while ***.[118] We will examine this issue further in any final phase investigation.

Finally, we note that respondents assert that domestic producers do not have the capacity to supply the entire U.S. SDGE market. Although domestic producers' existing production is less than U.S. apparent consumption, U.S. SDGE producers appear capable of supplying a larger share of the U.S. market

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[111] CR/PR at Tables VI-1 and C-1.

[112] CR/PR at Table VI-1.

[113] CR/PR at Table VI-1.

[114] Capital expenditures for the domestic industry decreased from $*** in 2004 to $*** in 2006 and were $*** in interim 2006 and $*** in interim 2007. Research and development expenses increased from $*** in 2004 to $*** in 2006 and were $*** in interim 2006 and $*** in interim 2007. CR/PR at Table VI-4.

[115] CR/PR at Tables III-3 and C-1.

[116] Respondents' Postconference Brief at 29-33.

[117] See, e.g., Timken Co. v. United States, 321 F. Supp. 2d (Ct. Int'l Trade 2004) at 13, n. 2 ("The purpose of the antidumping statute . . . is to protect United States industries not specific corporations from unfair behavior by foreign competitors."); Calabrian Corp. v. United States, 794 F. Supp. 377, 385-86 (Ct. Int'l Trade 1992) ("This Court has repeatedly affirmed . . . .that 'Congress intended the ITC determine whether or not the domestic industry (as a whole) has experienced material injury due to the imports. This language defies the suggestion that the ITC must make a disaggregated analysis of material injury.'" quoting Copperweld Corp. v. United States, 682 F. Supp. 552, 569 (Ct. Int'l Trade 1988) (other citations omitted)). See also, Certain Aluminum Plate from South Africa, Inv. No. 731-TA-1056 (Final), USITC Pub. 3734 (November 2004) at 21, n. 179 (declining to rely "on isolated data from a given producer).

[118] CR/PR at Tables V-I and VI-2, CR at VI-6, PR at VI-2.

then they do currently as their capacity utilization rates declined over the period of investigation.[119] Moreover, as the Commission previously has noted, "there is no short supply provision in the statute" and "the fact that the domestic industry may not be able to supply all of demand does not mean the industry may not be materially injured or threatened with material injury by reason of subject imports." [120]

For purposes of this preliminary determination, we conclude that subject imports had an adverse impact on the condition of the domestic industry during the period of investigation.[121] [122] In particular, we find that the absolute and relative volumes of subject imports are significant, have gained market share at the expense of the domestic industry, have undersold domestic product, and have suppressed domestic prices. The suppressed domestic prices, combined with the pattern of consistent underselling, have caused declines in the domestic industry's financial performance.

CONCLUSION

For the reasons stated above, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly unfairly traded subject imports from China that are sold in the U.S. market.

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[119] CR/PR at Tables III-2, IV-3, and C-1.

[120] Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928 (Article 1904 NAFTA Remand) at 108, n. 310 (December 2003). See also, Certain Activated Carbon from China, Inv. No. 731-TA-1103 (Preliminary), USITC Pub. 3852 (May 2006) at 19, n. 134; Certain Orange Juice from Brazil, Inv. No. 731-TA-1089 (Final), USITC Pub. 3838 (March 2006) at 20 n. 143; Certain Lined Paper School Supplies, Inv. Nos. 701-TA-442-443 (Preliminary) and 731-TA-1095-1097 (Preliminary), USITC Pub. 3811 (October 2005) at 23, n. 155; Metal Calendar Slides from Japan, Inv. No. 731-TA-1094 (Preliminary), USITC Pub. 3792 (August 2005) at 9, n. 45 ("To the extent that Respondents claim that the Commission is legally unable to make an affirmative finding of material injury by reason of subject imports because the domestic industry is incapable of supplying domestic demand, they are incorrect.").

[121] We invite parties to comment in any final phase investigation as to whether Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006) is applicable to the facts of this investigation. In particular, parties are encouraged to focus on whether the first triggering factor under Bratsk (whether SDGE is a commodity product) is met. The Commission also invites parties to comment on what additional information the Commission should collect to address the issues raised by the Court and how that information should be collected, and to identify which of the various nonsubject sources should be the focus of additional information-gathering by the Commission.

[122] Commissioner Okun notes that both domestic producers and respondents agree that SDGE is not a commodity product. Petitioners' Postconference Brief at 40; Transcript at 162 (Levinson). As the electrical and operating requirements of the equipment that uses electrodes determines the electrode's optimum size and physical characteristics, SDGE are produced according to individual customers' specifications. CR at I-7, PR at I-6. She therefore finds that, on the basis of the record in this preliminary investigation, at least one Bratsk trigger is not satisfied. Accordingly, Commissioner Okun does not address the remaining requirements of the Bratsk test. For a complete statement of Commissioner Okun's interpretation of Bratsk in a preliminary investigation, see Separate and Additional Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun Concerning Bratsk Aluminum v. United States in Sodium Hexametaphosphate from China, Inv. No. 731-TA-1110 (Preliminary), USITC Pub. 3912 (Apr. 2007) at 19-25. In any final phase investigation, any party holding a contrary view should so indicate, and provide a basis for its view, at the time written comments on the draft questionnaires are submitted.

SEPARATE VIEWS OF CHAIRMAN DANIEL R. PEARSON AND COMMISSIONER DEAN A. PINKERT

Based on the record in this preliminary investigation, we find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of small diameter graphite electrodes ("SDGE") imported from China that are allegedly sold in the United States at less than fair value ("LTFV").

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF THE SUBJECT IMPORTS[3]

For the reasons discussed below, we find that there is a reasonable indication that the domestic industry producing SDGE is threatened with material injury by reason of subject imports from China.

Imports, both subject and nonsubject, dominated the U.S. market throughout the period of investigation ("POI"). Subject imports accounted for *** to *** percent of the U.S. market by quantity during the POI, and nonsubject imports accounted for *** to *** percent.[4] Although subject import volume increased throughout the POI, both in absolute numbers and relative to apparent U.S. consumption, the domestic industry either gained market share or lost it primarily to nonsubject imports until interim 2007.

The initial increase in subject import volume in 2005 appeared to come at the expense of nonsubject imports. In 2005, subject imports accounted for *** percent of apparent U.S. consumption of SDGE by volume, up from *** percent in 2004.[5] The domestic industry's share of the market increased, from *** percent in 2004 to *** percent in 2005. Nonsubject imports dropped both absolutely and relatively, and the share of apparent U.S. consumption held by nonsubject imports fell from *** percent in 2004 to *** percent in 2005.[6]

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[1] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed Cir. 1986); Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F.Supp.2d 1353, 1368-69 (CIT 1999); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996).

[2] American Lamb, 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] We adopt the discussion of domestic like product, domestic industry, negligibility, and conditions of competition in sections I, II, III, and IV.A of the Views of the majority.

[4] CR/PR at Table C-1.

[5] CR/PR at Table IV-4.

[6] CR/PR at Table IV-4.

In 2006, the volume of subject imports again increased both absolutely and relative to apparent U.S. consumption. In that year, however, nonsubject import volume rebounded, and the domestic industry lost market share primarily to nonsubject imports.[7] The domestic industry lost *** percentage points of U.S. market share, and nonsubject imports gained *** percentage points of market share, with subject imports accounting for the remainder.[8]

In interim 2007, as compared to interim 2006, subject import volume again increased both absolutely and relative to apparent U.S. consumption, and that increase came at the expense of the domestic industry. Subject imports in interim 2007 accounted for *** percent of apparent U.S. consumption, compared to *** percent in interim 2006. Nonsubject imports were *** percent in interim 2007, compared to *** percent in interim 2006. But the domestic industry's share was *** percent in interim 2007, compared to *** percent in interim 2006.[9] This shift in interim 2007, late in the POI, suggests that any additional gains in shipments or market share by subject imports will come primarily from the domestic industry rather than from nonsubject import sources. We find that the increasing trend in subject import volume observed over the POI, both in absolute numbers and relative to apparent U.S. consumption, is likely to continue in the imminent future.

Our finding that this trend is likely to continue in the imminent future is further supported by evidence of current orders and inventories. The industry in China has significant inventories on hand. Reported inventories on hand at the end of the interim 2007 period were 20,951 metric tons; total apparent U.S. consumption in interim 2007 was *** metric tons.[10] Thus, inventories of SDGE on hand in China at the end of interim 2007 were equivalent to *** percent of apparent U.S. consumption for that period. Importers in the U.S. report current orders of 15,505 metric tons from China for 2008.[11] The record data suggest that further increases in the volume of subject imports are likely, and the recent trend has been for increases in market share by subject imports to come at the expense of the domestic industry.

Apparent U.S. consumption in 2006 was *** metric tons, an increase of *** percent over 2005 and the strongest annual number recorded in the POI. More recent data suggests that demand is cooling. Apparent U.S. consumption in interim 2007 was at *** metric tons; it was *** metric tons in interim 2006.[12] Demand for SDGE is closely tied to demand for domestic steel production. The POI saw increased demand for this product both as overall steel production rebounded in the face of strong price increases and as older, previously shuttered U.S. capacity was brought back on line.[13] But recent economic data suggest that the apparent cooling seen in interim 2007 data is unlikely to be reversed in the near future. After a year of strong growth in 2006, interim 2007 data show no further increase in demand. In the event of a contraction, it is likely that the oldest steel-making capacity would be the first to be idled. Shipments of the domestic like product and subject imports will likely be competing for the same market, as the most recent data suggest that nonsubject imports have regained any market share initially lost to the increase in subject imports.

The Chinese industry increased its reported production and capacity from 2004 to 2005, and its production is projected to increase by approximately 20,000 metric tons in 2007 and 2008, compared to 2006 levels. Producers in China responding to the Commission indicate that production capacity in 2006 was virtually unchanged from 2005 and available data on projected capacity do not indicate any significant increase for 2008. The industry in China also appears to have been operating at a high rate of

[7] CR/PR at Table IV-2 (import volume) and Table IV-4 (market share).

[8] CR/PR at Table IV-4 and Table C-1.

[9] CR/PR at Table IV-4.

[10] CR/PR at Table VII-2 and Table IV-3.

[11] CR/PR at Table VII-4. U.S. importers also report current orders of 2,872 metric tons for October to December 2007. Id.

[12] CR/PR at Table IV-3 and Table C-1.

[13] CR at II-4-II-5, PR at II-3.

capacity utilization in interim 2007.[14] Even if capacity remains relatively constant in the imminent future, however, this does not change our view that additional increases in subject import volume from China to the United States are likely. The Chinese industry has consistently exported a significant share of its production, and its total exports accounted for a significantly higher share of its shipments in 2006 than in 2004. Exports to the U.S. accounted for a greater share of shipments in 2006 than in 2004.[15] Nothing in the record indicates that these trends will change in the near future. Further, the industry has significant export markets from which shipments could be diverted if market conditions justified such action.[16]

Subject imports undersold the domestic like product consistently throughout the POI.[17] The pricing data reflect that over the period of investigation subject imports from China were concentrated in the ***, and the domestic industry's sales were concentrated in ***.[18] Of particular note, therefore, are the increased margins or instances of underselling late in the POI by subject imports for products ***. Petitioners estimate that SDGE in sizes *** constitute *** percent of the U.S. SDGE market.[19] Underselling by subject imports for these products did not prevent increases in prices for the domestic like product for these products. The quantities of reported sales of subject imports in these two products generally rose on a quarterly basis, however, and underselling margins were higher or there were more instances of underselling in 2007 than in earlier years.[20] Several of the domestic industry's lost sales and revenues allegations were substantiated by purchasers, but even some of the purchasers that dispute the domestic industry's specific allegations noted ***.[21] These factors suggest that increased competition and underselling are likely in the imminent future. Furthermore, these tendencies are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for imports.

The domestic industry's financial performance varied somewhat over the POI. In 2006, as its market share fell to *** percent and its U.S. shipments fell to the lowest point for the 2004 to 2006 period, the industry had its best year in financial terms, with an operating income equivalent to *** percent of sales.[22] Faced with rising costs and increased imports, the domestic industry apparently was able to make some successful adjustments by ***.[23]

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[14] We note that one responding producer reported only actual experience and did not include projections for 2007 and 2008. CR/PR at Table VII-2.

[15] CR/PR at Table VII-2.

[16] The record suggests that a significant proportion of the responding producers in China also produce products other than SDGE; for these producers SDGE accounted for an average of 58 percent of sales. CR at VII-1, PR at VII-1. This suggests that producers in China could shift production capacity from other graphite electrode production into additional SDGE production. However, in the absence of more complete data on the industry and its ability to shift other production capacity back to SDGE production, we do not rely on any potential for product shifting in reaching our determination.

[17] CR/PR at Table V-1 to Table V-4.

[18] During the POI, *** percent of reported sales by U.S. importers of Chinese SDGE were product ***, *** percent were product ***, *** percent were product ***, and *** percent were product ***. As for domestic sales, *** percent of reported sales by domestic producers of domestic SDGE was product ***, *** percent was product ***, *** percent was product ***, and *** percent were product ***. CR at V-6; PR at V-4.

[19] Petitioners' Postconference Brief, Answers to Commission Staff Questions at 7. Petitioners' estimate apparently includes both HP and UHP grade electrodes in *** diameter.

[20] CR/PR at Tables ***, and V-5.

[21] CR at Table V-7 and V-17-V-19; PR at Table V-7 and V-7.

[22] CR/PR at Table IV-3, Table IV-4 and Table VI-1.

[23] CR at VI-6, PR at VI-2, and Petitioners' Postconference Brief at 25.

Interim 2007 data suggest, however, that the industry may have exhausted its ability to adapt to increased import volumes and increased price pressures. The industry's *** was *** percent of sales in interim 2007, compared to *** profit of *** percent of sales in interim 2006.[24] Most major indicators, including productivity, were lower in interim 2007 than in interim 2006.[25] Given the likelihood of stable demand and increased import volume and increased pricing pressure in ***, we find a reasonable indication that the domestic industry is threatened with material injury from subject imports.[26]

III. CONCLUSION

For the reasons stated above, we find a reasonable indication that the domestic industry producing SDGE is threatened with material injury by reason of subject imports from China.

[24] CR/PR at Table VI-1.

[25] In reaching this determination we note that the record data suggest ***. ***. CR at Table VI-2 and III-4 n.5; PR at Table VI-2 and III-2 n.5. ***. CR/PR at Table VI-2. We make our determination in this preliminary phase investigation on the condition of the domestic industry as a whole. Nonetheless, we intend to examine this *** more thoroughly in any final phase of this investigation.

[26] Chairman Pearson notes that both domestic producers and respondents agree that SDGE is not a commodity product. Petitioners' Postconference Brief at 40; Transcript at 162 (Levinson). The product is typically made to order and requires specialized knowledge to match the appropriate product with the appropriate user. CR at I-7, PR at I-6. He therefore finds that, on the basis of the record in this preliminary investigation, at least one Bratsk trigger is not satisfied. See Separate and Additional Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun Concerning Bratsk Aluminum v. United States in Sodium Hexametaphosphate from China, Inv. No. 731-TA-1110 (Preliminary), USITC Pub. 3912 (April 2007) at 19-25.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by SGL Carbon LLC, Charlotte, NC and Superior Graphite Co., Chicago, IL on January 17, 2008, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of small diameter graphite electrodes ("SDGE")[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	Action
January 17, 2008	Petition filed with Commerce and the Commission; institution of Commission investigation (73 FR 4627, January 25, 2008)
February 7, 2008	Commission's conference[1]
February 13, 2008	Commerce's notice of initiation (73 FR 8287)
February 29, 2008	Date of the Commission's vote
March 3, 2008	Commission's determination transmitted to Commerce
[1] App. B contains a list of witnesses appearing at the conference.	

ORGANIZATION OF REPORT

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and . . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether . . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*

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[1] A complete description of the imported products subject to this investigation is presented in *The Subject Product* section of this part of the report.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

. . .
In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to

. . .
(I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

U.S. MARKET SUMMARY

The U.S. market for SDGE totaled approximately $*** and *** metric tons in 2006. Currently two companies produce SDGE in the United States: SGL Carbon LLC and Superior Graphite Co., which accounted for all U.S. production of SDGE in 2006.[3] Sixteen firms reported having imported SDGE from China since 2004, and more than five firms reported having imported from all other sources. ***.[4] The petition identified 102 firms as producers or exporters of SDGE in China. U.S. producers' U.S. shipments of SDGE totaled *** metric tons valued at $*** in 2006, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. shipments of imports from China totaled *** metric tons, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. shipments of imports for all other sources totaled *** metric tons, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

SDGE is generally used by foundries, smelters, steel refining operations, and other industries in primary melting, ladle metallurgy, and specialty furnace applications.

SUMMARY DATA

A summary of data collected on SDGE is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms that accounted for 100 percent of U.S. production of SDGE during 2006. Data on U.S. imports from China presented in this report are based on questionnaire responses, as official statistics are from a "basket" classification that is broader than the subject product. Data on U.S. imports from Mexico presented in this report are based on GrafTech's response to the Commission's importers' questionnaire, as GrafTech is believed to represent *** of imports from Mexico.[5] Data on U.S. imports from sources other than China and Mexico are based on the estimates provided in the petition.

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[3] In the United States, during the period of investigation, SGL Carbon produced 14-inch and 16-inch SDGE and 18-inch through 32-inch LDGE, and Superior Graphite produced 8-inch to 16-inch diameter SDGE. Conference transcript, pp. 45 (Stinson), and 49-50 (Carney).

[4] Respondents M. Brashem and Graphite Electrode Sales both noted that they imported 3-inch through 24-inch graphite electrodes. Conference transcript, pp. 108 (Buchannan) and 122 (Kearney).

[5] GrafTech represented *** of U.S. imports from Mexico reported in official Commerce statistics. The U.S. imports of SDGE from Mexico reported by GrafTech are ***. Imports from Mexico accounted for *** of nonsubject imports for each year during the period of investigation.

The Commission sent producers' questionnaires to four firms believed to be possible producers of large diameter graphite electrodes ("LDGE") in the United States: C/G Electrodes LLC, GrafTech International, Ltd., Showa Denko Carbon, Inc., and a petitioner, SGL Carbon. SGL Carbon is currently the only U.S. producer that manufactures both LDGE and SDGE. A summary of data collected on LDGE is presented in appendix C, table C-2, and a summary of data collected on SDGE and LDGE combined is presented in appendix C, table C-3.

PREVIOUS AND RELATED INVESTIGATIONS

SDGE has not been the subject of any prior antidumping or countervailing duty investigations in the United States.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On February 13, 2008, Commerce published a notice in the *Federal Register* of the initiation of its antidumping investigation on SDGE from China.[6] Commerce initiated an antidumping duty investigation based on estimated dumping margins for SDGE from China that range from 119.09 percent to 159.34 percent.

THE SUBJECT PRODUCT

Scope

The imported products subject to this investigation are:[7]

All small diameter graphite electrodes of any length, whether or not finished, of a kind used in furnaces, with a nominal or actual diameter of 400 millimeters (16 inches) or less, and whether or not attached to a graphite pin joining system or any other type of joining system or hardware. Small diameter graphite electrodes are most commonly used in primary melting, ladle metallurgy, and specialty furnace applications in industries including foundries, smelters, and steel refining operations.

Small diameter graphite electrodes subject to this investigation are currently classified under the Harmonized Tariff Schedule of the United States ("HTSUS") subheading 8545.11.0000. The HTSUS number is provided for convenience and customs purposes, but the written description of the scope is dispositive.

Tariff Treatment

Imports of SDGE are classifiable in the HTSUS under subheading 8545.11.00 (carbonized graphite electrodes of a kind used for furnaces) and are free of duty under the general duty rate, applicable to China. The subheading contains many other products besides SDGE. Table I-1 presents current tariff rates for SDGE.

[6] *Small Diameter Graphite Electrodes from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 73 FR 8287, February 13, 2008.

[7] Ibid.

Table I-1
SDGE: Tariff rates, 2008

HTS provision	Article description	General[1]	Special[2]	Column 2[3]
		Rates *(percent ad valorem)*		
8545	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of any kind used for electrical purposes:			
	Electrodes:			
8545.11.00	Of a kind used for furnaces.	Free		45.0

[1] Normal trade relations, formerly known as the most-favored-nation duty rate, applicable to imports from China.
[2] Special rates not applicable when the General rate is free. China is ineligible for special duty rate treatment.
[3] Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.

Source: Harmonized Tariff Schedule of the United States (2008).

DOMESTIC LIKE PRODUCT

The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding interchangeability, customer and producer perceptions, and channels of distribution is presented in *Part II* of this report. Information regarding price is presented later in *Part I* and also in *Part V* of this report. Information regarding the physical characteristics and uses and the manufacturing process of graphite electrodes is presented below.

Petitioners contend that the Commission should find one domestic like product that is coextensive with the scope of merchandise subject to the investigation as identified by the petition. Moreover, petitioners assert that SDGE form a single domestic like product that is exclusive of other electrodes, in particular LDGE.[8] Respondents argue that there is no "bright line" between graphite electrodes at the 16-inch diameter point, and that all graphite electrodes constitute a single domestic like product with a continuum of diameter sizes.[9] The Commission asked U.S. producers of SDGE and LDGE to describe the differences and similarities between SDGE and LDGE; the data collected are presented in appendix D.

Physical Characteristics and Uses

SDGE, cylindrical in shape, are produced from various grades of petroleum coke, and are used primarily in ladle metallurgy, primarily low-duty melting, and specialty furnace applications, such as the electric arc furnace ("EAF") shown in figure I-1. SDGE are used in steel-making "mini-mills" to generate the heat necessary to melt and further refine steel.[10] SDGE act as conductors of electricity in

[8] Petition, p. 73.

[9] Respondents' postconference brief, p. 1. Respondents consist of 5 U.S. importers of SDGE from China, and 10 producers and/or exporters of SDGE from China.

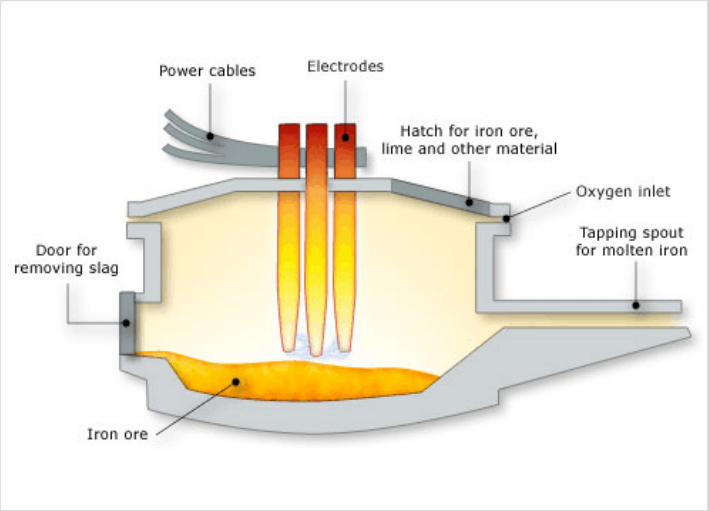
[10] Respondents reported that the primary steel segment uses electrodes ranging from 14 inches to 28 inches. The ladle segment uses 10-inch through 20-inch electrodes. The foundry segment uses 3-inch through 24-inch electrodes, and other categories use electrodes ranging from 8 inches to 24 inches for a wide variety of applications,
(continued...)

EAFs, generating sufficient heat to melt scrap metal, iron ore, or other raw materials used to produce steel or other metals. Heat is generated as electricity at very high amperes[11] passes though the SDGE and creates an electric arc between the electrodes and the raw material.[12] Typically, nine electrodes are joined in columns of three, each by a threaded connecting system, most commonly a graphite pin.[13] The electrodes are fed through holes in the top of the EAFs and held in place by electrical current carrying holders and arms designed for the specific size of electrode to be used.[14] Because of the intensity of the melting process, the electrodes are continuously consumed during the course of the production of metal.

In contrast to the applications that typically use SDGE (*** steel refining, but also foundry applications, steel melting, and other uses[15]), LDGE are primarily used in one high-intensity use, large EAFs for steel melting, and the small remainder of LDGE, only about 5 percent, is used in secondary ladle and refining operations generally to support the largest size melting operations.[16]

The design of the equipment that uses the electrodes determines the optimum electrode diameter,

Figure I-1
Electric arc furnace



Source: Fleur Templeton, "Iron and steel," Te Ara - the Encyclopedia of New Zealand, found at http://www.teara.govt.nz/EarthSeaAndSky/MineralResources/IronAndSteel/2/ENZ-Resources/Standard/4/en, retrieved on January 29, 2008.

[10] (...continued)
such as refining slag, making abrasives, fusing silica, and producing iron and titanium. Conference transcript, p. 112 (Buchannan).

[11] An ampere is a unit of electric current in the meter-kilogram-second system. Amperes are used to measure electric current.

[12] Petition, p. 5.

[13] Conference transcript, p. 13 (Stinson).

[14] Ibid.

[15] Other uses include smelter, fused metal oxide production, waste recovery, waste encapsulation, and other minor furnace applications (petitioners' February 15, 2008 submission on the uses of graphite electrodes by diameter size).

[16] Petitioners' postconference brief, p. 7. Respondents agree with this characteristic of general uses of LDGE and SDGE, but argue that there is considerable overlap of sizes of electrodes by different segments of the domestic industry consuming electrodes. Respondents' postconference brief, p. 10.

based on electrical and operating specifications.[17] According to the petitioners, it is cost-prohibitive to convert the equipment, such as the holders in EAFs, to accept a different size.[18] Depending on the application and its requirements, an electrode designed for those uses will have certain physical characteristics, such as resistance, current carrying capacity, and strength. Given the different typical uses of SDGE and LDGE and their different requirements, petitioners contend that SDGE have physical characteristics that distinguish them from other graphite electrodes (such as LDGE).[19] These physical characteristics make SDGE more applicable to the aforementioned uses.

SDGE are typically fabricated from a range of different grades of petroleum coke, from low grade anode coke to premium high grade needle coke or a blend of the two, while LDGE generally uses 100-percent premium high grade needle coke.[20] As a result of the different raw materials used, SDGE and LDGE are produced in a variety of grades, including regular power ("RP"), normal power ("NP"), medium power ("MP"), high power ("HP"), super high power ("SHP") and ultra high power ("UHP").[21] SDGE are generally produced in all grades, while LDGE are typically produced in the HP, SHP, and mostly UHP grades.[22]

The grade of coke, along with other characteristics such as size, determines the amount of current an electrode can carry. SDGE typically have lower current carrying capacity ranging from 15,000 to 60,000 amps, but do not exceed 70,000 amps.[23] LDGE can carry from 60,000 to 160,000 amps, with the majority of modern EAFs operating over 100,000 amps.[24] Other characteristics include bulk density, resistance, coefficient of thermal expansion, ratio of consumption, and porosity. The typical characteristics and ranges for SDGE and LDGE are presented in table I-2.

Table I-2
Electrodes: Typical physical characteristics

Characteristic	SDGE	LDGE
Current carrying capacity (amps)	15,000 - 70,000	60,000 - 160,000
Bulk density (g/cm^3)	1.57 - 1.77	1.66 - 1.74
Resistance (μm)	5.5 - 8.9	4.0 - 5.5
Coefficient of thermal expansion (μm/(km))	0.4 - 1.4	0.3 - 0.6
Ratio of consumption (lbs./ton)	0.2 - 1.5	1.5 - 12
Porosity (percent)	17 - 29.5	17 - 21
Source: Petitioners' postconference brief, pp. 10-12, and exhs. 2, 6, and 23.		

[17] Petitioners note that an electrode is designed to fit a particular application. Conference transcript, p. 57 (Anderson).

[18] Conference transcript, p. 49 (Stinson). Petitioners acknowledge that this is true amongst sizes both in and between SDGE and LDGE. Conference transcript, pp. 63-65.

[19] Petition, p. 70. Respondents argue that while electrodes may have different characteristics, essential characteristics are shared by all electrodes, and there is overlap of certain characteristics between two adjacent sizes. Respondents' postconference brief, pp. 7-9.

[20] Petition, p. 3, and petitioners' postconference brief, p. 8. SGL noted that it uses premium needle coke in some of its SDGE, depending on its customers' requirements. Conference transcript, p. 53 (Stinson).

[21] These grades are not governed by a particular organization, and are more of a marketing technique. Conference transcript, pp. 55-56 (Stinson). The uses of these grades are generally accepted in the market as points of differentiation between electrodes.

[22] Petitioners' postconference brief, p. 9, and conference transcript, p. 130 (Brashem).

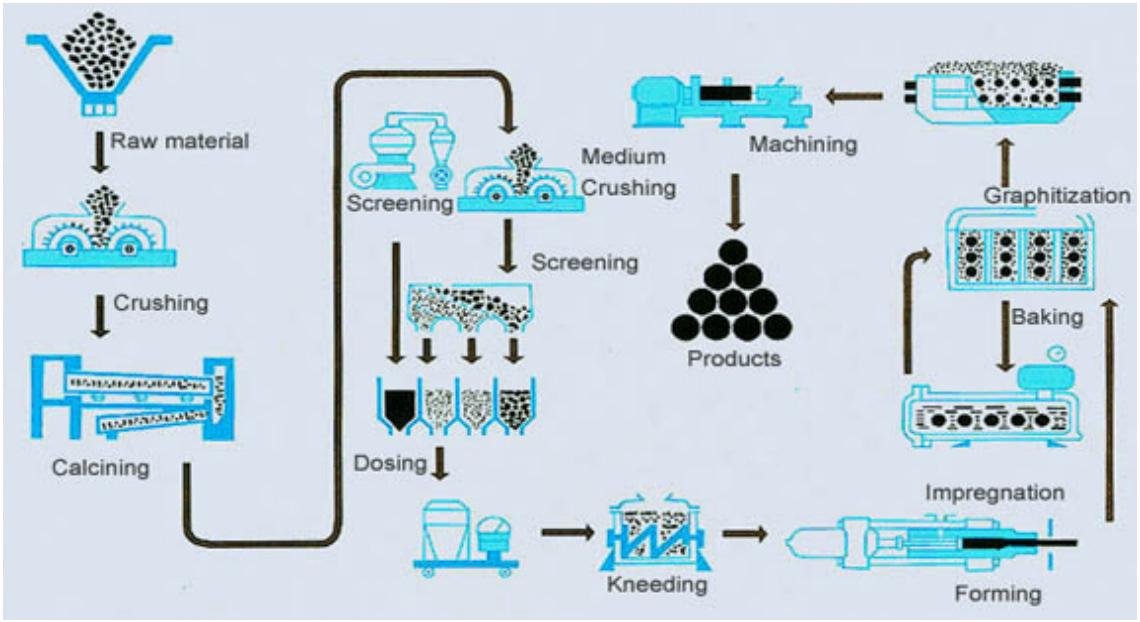
[23] Conference transcript, p. 17 (Stinson).

[24] Conference transcript, pp. 16-17 (Stinson). ***.

Manufacturing Facilities and Production Employees

Graphite electrodes are cylindrical in shape, and are manufactured through a series of processes.[25] The six basic stages of production include forming (also known as extruding), baking, pitch impregnation (for some models), graphitization, finishing, and packaging. Figure I-2 presents a flow diagram of the graphite electrode production process. The production of graphite electrodes begins with petroleum coke being crushed and graded to size by screening to achieve desired formulation. Utilizing different-sized coke particles in predetermined ratios, the mix is blended with coal or petroleum tar pitch which forms the bond between the separate particles. The blending is done at a high temperature to make the tar pitch fully plastic.

Figure I-2
Graphite electrode production process



Source: Sichuan GMT International, Inc., found at http://www.scgmt.com/graphite%20electrode/index.html, retrieved on January 31, 2008.

The mix is then charged into a ram type hydraulic press from which a cylindrical column is extruded and cooled.[26] This basic form cylindrical column, known as a "green electrode," then enters an oven to undergo a baking process. The heating process follows a predetermined and gradually increasing heating curve, reaching a final temperature of approximately 900 degrees centigrade. During this stage, the petroleum pitch is converted into hard coke, and impurities are removed. After the baking process, the electrode form may be impregnated with pitch and rebaked, filling pores to increase its density and strength, and lowering the electrical resistivity. The electrode form then undergoes the graphitization process by which baked coke is transformed into graphite. The electrodes are packed in electric furnaces

[25] The following discussion is generally from the petition, pp. 4-5, and "Electric Arc Furnace Steel Making, Electrodes," American Iron and Steel Institute, found at http://www.steel.org/AM/Template.cfm?Section=Home&template=/CM/HTMLDisplay.cfm&ContentID=21169#turn, retrieved on January 31, 2008.

[26] Petitioners' note that SDGE and LDGE use different presses in the extrusion process. Conference transcript, pp. 62-63 (Stinson).

surrounded by carbon particles to form a solid mass. An electric current is passed through the furnace, raising the temperature to approximately 3,000 degrees centigrade. This process is usually achieved using either an Acheson type furnace or an in-line graphitization furnace (also known as a lengthwise graphitization ("LWG") furnace). With the Acheson type furnace, electrodes are graphitized using a batch process, while in a LWG furnace the entire column is graphitized at the same time. Unfinished SDGE undergo no further processing beyond the graphitization stage other than machining. For larger size electrodes, LWG furnaces produce a higher quality graphite electrode at a lower cost when compared to the Acheson process. The LWG furnace requires shorter heating periods, less power consumption, less labor, and a smaller furnace.[27] Acheson furnaces have larger payloads, but can take significantly longer to graphitize.[28]

The graphite electrodes, after cooling, may then go to a final stage to be machined to exact dimensions and tolerances. This stage may also include machining and fitting the ends of the electrode with a threaded graphite pin joining system (also known as a pinning or connecting system). The finished product is then packaged for shipment, typically placed between wooden chocks and packed in wooden crates for protection during shipping. SDGE may also be bundled in steel strips before packing.

There is a some overlap in manufacturing facilities between SDGE and LDGE.[29] SGL Carbon, the only producer of both SDGE and LDGE, is able to produce both products on the same equipment using the same employees.[30] However, Superior Graphite, the other producer of SDGE, is not able to produce LDGE on the same equipment as SDGE, due to the necessary size differences in equipment such as forming dies, baking furnaces and saggers, rectifier sizes, and machine lines.[31]

Price

Table I-3 presents the average unit values ("AUVs") and shares of U.S. producers' and U.S. importers' U.S. shipments of SDGE and LDGE during the period for which data were collected in the investigation. The AUVs of U.S. shipments of U.S.-produced SDGE and LDGE and imports from China of both products increased in each year from 2004 to 2006.[32] The AUV of U.S. shipments of U.S.-produced SDGE increased by *** percent, while the AUV of U.S. shipments of imports of SDGE from China rose by 8.7 percent. The AUVs of U.S. producers' U.S. shipments of both SDGE and LDGE continued to rise between the interim periods of January-September 2006 and January-September 2007, whereas the AUVs of shipments of imports from China decreased between those periods for both SDGE and LDGE. U.S. shipments information with regard to prices of SDGE is presented in *Part V* of this report.

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[27] "Graphite production and further processing," found at www.carbonandgraphite.org/pdf/graphite_production.pdf, retrieved on January 30, 2008.

[28] Petitioners note that heating periods for LWG furnaces can range from 10 to 20 hours, while Acheson furnaces can take many days. Conference transcript, p. 54 (Stinson).

[29] Petition, p. 73.

[30] Petition, p. 72, and conference transcript, p. 63 (Stinson). Petitioners note that the stainless steel cans used in the baking process and a lot of the handling equipment are designed for a certain diameter size of electrode. ***.

[31] Petition, pp. 72-73. Superior Graphite notes that impregnation is the only process in its current process flow sheet which could be used to produce LDGE. Conference transcript, p. 47.

[32] Trends in AUVs may reflect shifts in product mix.

Table I-3
SDGE and LDGE: U.S. producers' and U.S. importers' average unit values and shares of U.S. shipments, by product group, 2004-06, January-September 2006, and January-September 2007

Item	Calendar year			January-September	
	2004	2005	2006	2006	2007
	Unit value (per *metric ton*)				
U.S. shipments of U.S.-produced product:					
SDGE	$***	$***	$***	$***	$***
LDGE	2,552	2,963	3,851	3,842	4,444
Weighted average	***	***	***	***	***
U.S. shipments of imports from China:					
SDGE	1,976	2,084	2,149	2,143	2,114
LDGE	2,039	2,295	2,606	2,611	2,033
Weighted average	1,990	2,137	2,246	2,246	2,094
	Share of quantity, based on metric tons (*percent*)				
U.S. shipments of U.S.-produced product:					
SDGE	13.2	11.6	10.7	10.8	9.6
LDGE	86.8	88.4	89.3	89.2	90.4
Total	100.0	100.0	100.0	100.0	100.0
U.S. shipments of imports from China:					
SDGE	78.8	74.6	78.8	78.1	76.1
LDGE	21.2	25.4	21.2	21.9	23.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

SDGE are typically used as conductors of electricity in furnaces that heat and melt scrap metal or other material used to produce steel and other materials. SDGE can also be applied in primary melting and ladle metallurgy. The demand for SDGE is thus largely determined by steel production.[1] SDGE may be produced according to different grades based on the relative use of the coke raw material and whether the product goes through the pitch impregnation production step, including regular power (RP), normal power (NP), medium power (MP), high power (HP), and ultra high power (UHP). SDGE are also produced to a certain diameter size of 16 inches or less.

In 2006, approximately *** percent of U.S. producers' sales of SDGE were to end users and *** percent were to distributors. Virtually all sales of imports from China were to end users. Based on questionnaire responses, there is some customer overlap for U.S. producers and importers. *** of the *** largest customers reported by the two U.S. producers were listed as customers by responding importers of Chinese product. One customer (***) cited by both U.S. producers was also cited by five of 13 responding importers and three additional customers cited by U.S. producers were also listed by four importers. Six importers listed seven customers that were cited by U.S. producers in their lost sales allegations or as purchasers that no longer request them to bid for contracts.[2]

When firms were asked to list market areas in the United States where they sell SDGE, the responses showed that the market areas tended to be nationwide. Among the two U.S. producers, both reported that they sell nationally. Among nine responding importers of SDGE from China, four reported that they sell nationally. The five others listed specific geographic regions, including the Northeast, the Midwest, the Southwest, the Northwest, and the Southeast.

U.S. inland shipping distances for U.S.-produced SDGE were compared with those for imports from China. For U.S. producers, *** percent of their U.S. sales in 2006 occurred within 100 miles of their storage or production facility, *** percent were within distances of 101 to 1,000 miles, and *** percent were at distances of over 1,000 miles from their facilities. For imports from China, 43 percent of sales occurred within 100 miles of importers' storage facilities, 47 percent were within 101 to 1,000 miles, and 10 percent were to distances over 1,000 miles.

*** percent of U.S. producers' sales were produced to order, whereas 56 percent of importers' sales of imports from China were sold from inventory and 44 percent were sold to order. Lead times for delivery of SDGE ranged widely for both producers and importers. For producers, they ranged from *** days for sales from inventory and from *** days to as much as *** for sales produced to order. For importers, they ranged from one day to six months for sales from inventory and from ten weeks to as much as five months or more for sales to order.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

The supply response of domestic SDGE producers to changes in price depends on such factors as the level of excess capacity, the availability of alternate markets for U.S.-produced SDGE, inventory levels, and the ability to shift to the manufacture of other products. The evidence indicates that the U.S. supply is likely to be relatively elastic, due primarily to the ***.

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[1] Conference transcript, p. 31 (Kerwin).

[2] *See* Part V.

Industry capacity

U.S. producers' annual capacity utilization rates for SDGE decreased over the period of investigation, ranging from a high of *** percent in *** to a low of *** percent in ***. This level of capacity utilization indicates that U.S. producers *** capacity with which they could increase production of SDGE in the event of a price change.

Alternative markets

Exports by U.S. producers, as a share of total shipments, decreased from *** percent in 2004 to *** percent in 2006. These data indicate that U.S. producers have *** ability to divert shipments to or from alternative markets in response to changes in the price of SDGE.

Inventory levels

The ratio of end-of-period inventories to U.S. shipments increased from *** percent in 2004 to *** percent in 2006. These data indicate that U.S. producers *** ability to use inventories as a means of increasing shipments of SDGE to the U.S. market.

Production alternatives

U.S. producer *** reported that it uses the machinery, equipment, and workers used to make SDGE in the production of other products, including ***. U.S. producer *** reported that it uses the same workers used in producing SDGE to produce ***.

Subject Imports

The responsiveness of supply of imports from China to changes in price in the U.S. market is affected by such factors as capacity utilization rates and the availability of home markets and other export markets. Based on available information, producers in China have the capability to respond to changes in demand with moderate changes in the quantity of shipments of SDGE to the U.S. market. The main contributing factor to the moderate degree of responsiveness of supply is the availability of alternative markets, including the Chinese home market.

Industry capacity

During the period of investigation, the capacity utilization rate for responding Chinese producers of SDGE increased from 85.4 percent in 2004 to 88.9 percent in 2006; it is projected to be essentially 100 percent in 2007 and 2008.

Alternative markets

Available data indicate that producers in China have the ability to divert shipments to or from alternative markets in response to changes in the price of SDGE. Shipments of SDGE from China to the United States increased from 6.5 percent of total shipments in 2004 to 8.9 percent in 2006. The share of

China's shipments to export markets other than the United States increased from 32.2 percent in 2004 to 38.6 percent in 2006, with the remainder mostly going to its home market.[3]

Inventory levels

Responding Chinese producers' inventories, as a share of total shipments, increased from 9.3 percent in 2004 to 12.5 percent in 2006. These data indicate that foreign producers have a limited ability to use inventories as a means of increasing shipments of SDGE to the U.S. market.

Nonsubject Imports

Based on responses to Commission questionnaires, U.S. imports of SDGE from nonsubject sources accounted for *** percent of the quantity of total U.S. imports in 2006.

U.S. Demand

Demand Characteristics

The lack of substitutes for SDGE discussed below indicates that the demand for this product is likely to be price inelastic. When asked how the overall demand for SDGE has changed since January 2004, *** U.S. producers and 7 of the 15 responding importers stated that the demand had increased. Six importers reported that there has been no change in demand since 2004. U.S. apparent consumption increased by *** percent from 2004 to 2006. The increase in demand for SDGE was most commonly attributed to increased steel production. Petitioners reported that the re-opening of old integrated steel mills over the last four years has contributed to the increase in demand for SDGE.[4] *** reported that U.S. steel production has remained flat since 2004. *** also reported that demand has shifted more towards the 16-inch diameter graphite electrodes that are required by new ladle metallurgy furnaces.

Substitute Products

*** U.S. producers and virtually all of the responding importers stated that there are no substitutes for SDGE. One importer reported that refurbished SDGE can be used as an alternative; however, U.S. producers reported that they do not consider it a substitute.[5]

SUBSTITUTABILITY ISSUES

The extent of substitutability between domestic products and subject and nonsubject imports and between subject and nonsubject imports is examined in this section. The discussion is based upon the results of questionnaire responses from producers and importers.

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[3] Respondents reported that China is considering eliminating the 13-percent value added tax rebate on graphite electrodes, which may reduce the incentive for Chinese SDGE producers to export to the United States. Conference transcript, p. 128 (Diener). Petitioners contend that this information is speculative and unsupported by evidence. Petitioners' postconference brief, pp. 48-49. Conference transcript, p. 156 (Hartquist).

[4] Petitioner's postconference brief, pp. 22-23. The re-opened mills are reportedly mostly blast furnaces that use SDGE in diameters ranging from 12 to 16 inches. Petitioner also reported that the demand for LDGE is stronger than the demand for SDGE because LDGE are consumed more quickly. Conference transcript, pp. 85-86 (Stinson).

[5] Conference transcript, p. 77 (Stinson).

Comparisons of Domestic Product and Subject Imports

In order to determine whether U.S.-produced SDGE can generally be used in the same applications as imports from China, producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. *** U.S. producers that compared China with the United States reported that they are *** interchangeable, as shown in table II-1. All of the importers that compared China with the United States reported that they are always or frequently interchangeable, as shown in table II-1.

Table II-1
SDGE: Perceived degree of interchangeability of product produced in the United States and in other countries

Country comparison	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	***	***	***	***	5	4	0	0
U.S. vs. Nonsubject	***	***	***	***	4	3	0	0
China vs. Nonsubject	***	***	***	***	3	3	0	0

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Both U.S. producers reported that they are capable of producing the full product range of all grades and sizes of SDGE.[6] U.S. producer SGL Carbon reported that it currently produces SDGE in diameters of 14 and 16 inches and stopped production of SDGE in diameters of 10 and 12 inches in 2006.[7] U.S. producer Superior Graphite reported that it currently produces SDGE in diameters greater than 8 inches and up to 16 inches.[8] U.S. producers report that imports from China compete in the full range of SDGE products.[9] One importer reported that it sells Chinese SDGE in diameters ranging from 3 to 20 inches, another reported that it sells diameters ranging from 3 to 24 inches, and another reported that it sells SDGE in diameters ranging from one and-a-half inches up to 24 inches.[10] Respondents, however, report that imports from China compete mostly in the lower grades of SDGE.[11] One importer reported that U.S. producers are unwilling to produce SDGE in diameters of 3 to 8 inches. In addition, three of eight importers that provided pricing data on sales of their imports from China reported sales of all four pricing products, ranging in size from 10-inch diameter to 16-inch diameter and representing both HP and UHP grades of SDGE.[12]

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[6] Petitioners' postconference brief, p. 23. Respondents contend that U.S. producers try to sell customers more expensive, higher grades of SDGE than are necessary. Conference transcript, p. 10 (Levinson). Petitioners maintain that U.S. producers produce according to customer specifications. Petitioners' postconference brief, p. 26.

[7] Conference transcript, pp. 12, 46 (Stinson).

[8] Conference transcript, pp. 49-50 (Carney).

[9] Conference transcript, p. 20 (Stinson).

[10] Conference transcript, pp. 96 (Brashem), 122 (Kearney), and 124 (Diener).

[11] Conference transcript, p. 10 (Levinson).

[12] *See* Part V.

Petitioners report that SDGE are not sold on the basis of an industry standard.[13] U.S. producers report that they produce to order because customers specify their performance needs.[14] *** reported that all SDGE within a specific diameter can be interchanged, provided that the performance and value of the product are acceptable to the customer. Two importers reported that the products are interchangeable because they are produced according to particular specifications. However, one importer reported that SDGE is not a commodity product.

As indicated in table II-2, *** U.S. producers that compared the United States with China said that differences other than price are *** significant. *** reported that the prices of imports from China are low enough to offset any performance-related costs incurred by the purchaser. A slight majority of the responding importers that compared the United States with China said that the differences are sometimes significant, with the remainder reporting that such differences are always significant. One importer reported that the imports from China are available in a wider variety of grades than U.S.-produced products or imports from other countries. One importer reported that in the past the quality of Chinese imports was inconsistent, but that the quality of the Chinese product has been improving and is currently not an issue. U.S. producers report that the quality of imports from China is comparable to the quality of domestically produced SDGE.[15]

Table II-2
SDGE: Differences other than price between products from different sources[1]

Country comparison	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	***	***	***	***	3	0	4	0
U.S. vs. Nonsubject	***	***	***	***	1	0	4	0
China vs. Nonsubject	***	***	***	***	2	0	2	0

[1] Producers and importers were asked if differences other than price between SDGE produced in the United States and in other countries are a significant factor in their firms' sales of SDGE.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Other Country Comparisons

In addition to comparisons between the U.S. product and imports from the subject country, U.S. producer and importer comparisons between the United States and imports from nonsubject countries and between subject imports and nonsubject imports are also shown in tables II-1 and II-2. *** reported that the quality of SDGE from nonsubject countries, particularly Mexico, is comparable with that of domestic product and of Chinese product.[16]

[13] Petitioners' postconference brief, p. 26.

[14] Petitioners' postconference brief, p. 26. Conference transcript, p. 51 (Stinson).

[15] Conference transcript, pp. 19 (Stinson) and 71-72 (Carney).

[16] Conference transcript, pp. 78-79 (Stinson, Carney).

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of two firms that accounted for 100 percent of U.S. production of SDGE during 2006.

U.S. PRODUCERS

The Commission sent producers' questionnaires to two firms, SGL Carbon and Superior Graphite, identified in the petition as U.S. producers of SDGE. The Commission received completed producers' questionnaire responses from both firms accounting for all known U.S. production of SDGE during the period of investigation.[1] The Commission asked producers to identify related firms that import or produce SDGE: *** reported related production facilities in *** and *** (*** and ***, respectively). Table III-1 presents U.S. producers' reported positions on the petition, plant locations, ownership, and shares of total reported U.S. production of SDGE in 2006.

The Commission also sent producers' questionnaires to two firms, Showa Denko and C/G Electrodes, identified as U.S. producers of LDGE.[2] The Commission received completed producers' questionnaires from both firms, which, along with SGL Carbon, accounted for all known U.S. production of LDGE during the period of investigation; *** the petition. A summary of data collected in the investigation on LDGE is presented in appendix C, table C-2.

Table III-1
SDGE: U.S. producers, positions on petition, plant locations, and shares of U.S. production in 2006

Firm name	Position on petition	Plant locations	Parent company	Share of reported 2006 U.S. production (*percent*)
SGL Carbon LLC	Support (petitioner)	Morganton, NC Ozark, AR	***% SGL Carbon AG (Germany)	***
Superior Graphite Co.	Support (petitioner)	Russellville, AR	***% Superior Graphite Co.	***

Source: Compiled from data submitted in response to Commission questionnaires.

[1] In the United States, SGL Carbon produced 14-inch and 16-inch diameter SDGE and 18-inch through 32-inch diameter LDGE. SGL Carbon noted that it is capable of producing down to 2-inch diameter SDGE, that it had produced prior to the period of investigation. Conference transcript, p. 45 (Stinson). Superior Graphite produced 8-inch to 16-inch diameter SDGE, although it noted that it is capable of producing down to 4.5-inch diameter SDGE. Conference transcript, pp. 49-50 (Carney).

[2] The Commission also sent a producers' questionnaire to another firm, GrafTech International Holdings, Inc. ("GrafTech") identified as a possible U.S. producer of LDGE. GrafTech responded that ***.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for SDGE are presented in table III-2. These data show that production capacity remained stable during 2004 to 2006, with average capacity utilization declining over the same period. The two U.S. producers of SDGE had opposing trends in capacity utilization during the calendar years, with SGL Carbon's increasing from *** percent in 2004 to *** percent in 2006, and Superior Graphite's declining from *** percent to *** percent over the same period. The petitioners reported that ***.[3] U.S. producers' capacity to supply SDGE was *** below apparent U.S. consumption of SDGE in each year and period for which data were collected.

The Commission asked domestic producers to describe any plant openings, relocations, expansions, acquisitions, consolidations, closures, and prolonged shutdowns. *** reported closing or reducing production lines of SDGE.

The Commission asked domestic producers to describe the constraints that limit production capacity.[4] *** responded that the baking stage of processing limited capacity to produce SDGE. *** also reported that ***, also constrained production capacity of SDGE. *** were also noted as constraints by ***.

SGL Carbon, accounting for *** percent of total reported U.S. production of SDGE in 2006, reported producing other products, namely LDGE *** on the same machinery and equipment, and with the workers used in the production of SDGE. *** reportedly accounted for *** of its total production in 2006. Superior Graphite reported producing products ***, accounting for *** percent of total production in 2006.

Table III-2
SDGE: U.S. capacity, production, and capacity utilization, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

U.S. PRODUCERS' SHIPMENTS

Table III-3 presents information on U.S. producers' shipments of SDGE. U.S. producers' U.S. shipments, in terms of quantity, fell from 2004 to 2006 by *** percent. On a value basis, U.S. producers' U.S. shipments increased *** percent from 2004 to 2006, which resulted in an increase in the average unit value of *** percent. This trend continued during January-September 2007 compared with January-September 2006. U.S. producers' total shipments declined by *** percent during 2004-06, largely due to a ***-percent decrease in *** over the same period. *** the U.S. producers reported transfers to related firms, while *** reported export shipments.[5] *** reported internal consumption.

Table III-3
SDGE: U.S. producers' shipments, by type, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

[3] Letter from Kelley Drye Collier Shannon on behalf of SGL Carbon and Superior Graphite, February 1, 2008.

[4] Producers' questionnaire responses, section II-4.

[5] ***. Both companies reported ***.

U.S. PRODUCERS' IMPORTS AND PURCHASES

During the period of investigation, neither U.S. producer reported imports, and one firm, ***, reported purchases of U.S. imports of SDGE.[6] *** reported that the purchases of U.S. imports from ***. Table III-4 presents company-specific information on U.S. producers' purchases of U.S. imports and ratios of purchases of imports to U.S. production of SDGE.

Table III-4
SDGE: U.S. producers' U.S. production, purchases of U.S. imports (including those from affiliated firms), and ratio of purchases of imports to production, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Data on U.S. producers' end-of-period inventories of SDGE for the period of investigation are presented in table III-5. Inventories grew by *** percent from 2004 to 2006. Likewise, inventories as a ratio to production, to U.S. shipments, and to total shipments also rose from 2004 to 2006. However, inventories declined by *** percent between January-September 2006 and January-September 2007.

Table III-5
SDGE: U.S. producers' end-of-period inventories, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of SDGE, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in this investigation are presented in table III-6. PRWs producing SDGE declined by *** percent from 2004 to 2006. Both SGL Carbon and Superior Graphite reported that ***.[7]

Table III-6
SDGE: U.S. producers' employment-related indicators, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

[6] ***.

[7] Letter from Kelley Drye Collier Shannon on behalf of SGL Carbon and Superior Graphite, February 12, 2008.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

Importer questionnaires were sent to 36 firms believed to be importers of subject SDGE, as well as to all U.S. producers of SDGE and LDGE.[1] Usable questionnaire responses were received from 20 companies, including 12 of the top 20, representing 87.6 percent of total imports from China in the period of investigation under HTS subheading 8545.11.00, a "basket" category.[2] *** and *** accounted for *** percent of reported imports of SDGE from China in 2006, and *** percent of adjusted imports from all other sources. *** also reported imports from ***. *** accounted for *** percent of adjusted imports from all other sources in 2006.[3] Table IV-1 lists all responding U.S. importers of SDGE from China and other sources, their locations, and their shares of U.S. imports, in 2006.

Table IV-1
SDGE: U.S. importers, source(s) of imports, U.S. headquarters, and shares of total imports in 2006

* * * * * * *

U.S. IMPORTS

Table IV-2 presents data for U.S. imports of SDGE from China. Data on U.S. imports from China presented in this report are based on questionnaire responses, as official statistics are from a basket classification that is broader than the subject product.[4] Data on U.S. imports from Mexico presented in this report are based on GrafTech's response to the Commission's importers' questionnaire, as GrafTech is believed to represent *** of imports from Mexico.[5] Data on U.S. imports from sources other than China and Mexico are based on the estimates provided in the petition.[6]

---

[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have imported at least 100,000 kilograms or greater than one percent of total imports under HTS subheading 8545.11.00 in any one year since 2004.

[2] Two firms, ***, reported importing only LDGE during the period of review. Twelve firms responded that they did not import SDGE or LDGE from any country at any time since January 1, 2004. Of these, 5 were in the top 20, representing 9.3 percent of imports under the basket HTS subheading.

[3] GrafTech reported that *** to Monterrey, Mexico. This was done for several reasons, including ***. Graftech's importers' questionnaire response, section II-2.

[4] Respondents contend that the importers which submitted the importer questionnaires represent virtually 100 percent of imports of SDGE from China. Conference transcript, p. 8 (Levinson).

[5] GrafTech (previously known as UCAR) represented *** of U.S. imports from Mexico reported in official Commerce statistics. The U.S. imports of SDGE from Mexico reported by GrafTech are ***. Imports from Mexico account for *** of nonsubject imports for each year during the period of investigation.

[6] Petition, Injury Exh. 2. Coverage of these countries appears to be incomplete due to limited information received in response to the Commission's questionnaire. Commission staff elected to adjust official import statistics by the estimates provided in the petition based on the petitioners' industry knowledge. These are believed to be the best available data as no other alternative data were provided to Commission staff. SDGE was estimated to be 60 percent of official imports from India; 10 percent from Germany, Japan, Poland, and Spain; 0 percent from Canada; and 50 percent from all other sources (other than China and Mexico).

The quantity of U.S. imports from China increased by 44.8 percent from 2004 to 2006, and by 13.5 percent between January-September 2006 and January-September 2007. The value of U.S. imports from China also increased, rising 59.7 percent and 15.7 percent over the same periods.[7]

Table IV-2
SDGE: U.S. imports, by sources, 2004-06, January-September 2006, and January-September 2007

Source	Calendar year			January-September	
	2004	2005	2006	2006	2007
			Quantity (*metric tons*)		
China	9,302	10,911	13,465	10,833	12,294
Nonsubject[1]	***	***	***	***	***
Total	***	***	***	***	***
			Value (*1,000 dollars*)[2]		
China	13,651	16,900	21,795	17,661	20,427
Nonsubject	***	***	***	***	***
Total	***	***	***	***	***
			Unit value (*per metric ton*)[2]		
China	$1,467	$1,549	$1,619	$1,630	$1,661
Nonsubject	***	***	***	***	***
Average	***	***	***	***	***
			Share of quantity (*percent*)		
China	***	***	***	***	***
Nonsubject	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	***	***	***	***	***
Nonsubject	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

[1] Reporting importers listed imports from Mexico as *** metric tons in 2004, 2005, and 2006, respectively, and *** metric tons during January-September 2006 and January-September 2007, respectively.
[2] Landed, U.S. port of entry.

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted official Commerce statistics.

THE QUESTION OF NEGLIGIBLE IMPORTS

The statute (section 771(24)(A)(i) of the Act) provides that imports from a subject country corresponding to the domestic like product are negligible if such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period

[7] Graphite Electrode Sales reported that ***. Letter from Garvey Schubert Barer on behalf of Graphite Electrode Sales, February 12, 2008.

for which data are available that precedes the filing of the petition - in this case October 2006 through September 2007. Based on questionnaire responses of Chinese and Mexican producers/exporters, and adjusted official Commerce statistics for that 12-month period, imports of SDGE from China (subject) accounted for *** percent of total U.S. imports as indicated in the tabulation below:

Source	Imports (*metric tons*)	Share of total imports (*percent*)
China (subject)	14,926	***
Other sources	***	***
Total	***	100.0

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted official Commerce statistics.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of SDGE during the period of investigation are shown in table IV-3. The quantity of apparent U.S. consumption decreased by *** percent from 2004 to 2005, but increased by *** percent from 2005 to 2006. In terms of value, apparent U.S. consumption decreased by *** percent between 2004 and 2005, and increased by *** percent between 2005 and 2006. January-September 2006-07 showed a ***-percent decline in U.S. consumption quantity, but a corollary ***-percent increase in value.

Table IV-3
SDGE: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

U.S. MARKET SHARES

U.S. market share data are presented in table IV-4. Shares of both quantity and value of imports from China of SDGE increased from 2004 to 2006, with Chinese import shares of U.S. consumption growing by *** percentage points in quantity and *** percentage points in value. U.S. producers' share of the domestic market decreased somewhat below levels in 2004.

Table IV-4
SDGE: U.S. consumption and market shares, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of SDGE is presented in table IV-5. Subject imports were equivalent to *** percent of U.S. production during 2004. This level increased to *** percent in 2005, *** percent in 2006, and *** percent in January-September 2007.

Table IV-5
SDGE: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2004-06, January-September 2006, and January-September 2007

Item	Calendar year			January-September	
	2004	2005	2006	2006	2007
	Quantity (*metric tons*)				
U.S. production	***	***	***	***	***
Imports from:					
China	9,302	10,911	13,465	10,833	12,294
Nonsubject countries	***	***	***	***	***
Total imports	***	***	***	***	***
	Ratio of U.S. imports to production (*percent*)				
Imports from:					
China	***	***	***	***	***
Nonsubject countries	***	***	***	***	***
Total imports	***	***	***	***	***

Note.–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted official Commerce statistics.

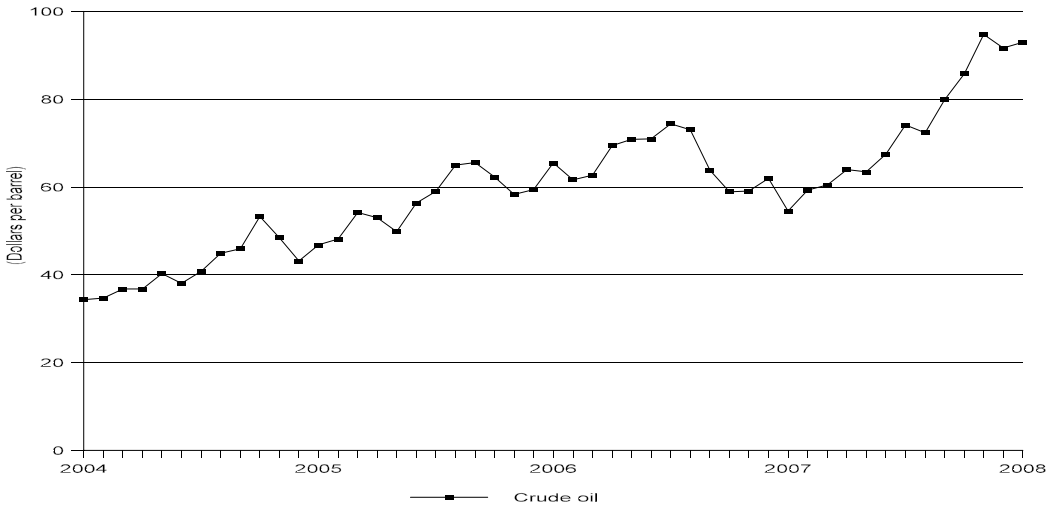
PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Petroleum coke, either in the form of needle coke, anode coke, or other grades, and petroleum pitch or coal tar pitch are the principal raw materials used in producing SDGE.[1] U.S. producers reported that there has been a shortage of needle coke over the past three to three-and-a-half years.[2] U.S. producers reported that their raw material costs have increased by *** percent on a per-unit basis from 2004 to 2006.[3] The spot price for oil, which determines the cost of the petroleum-based raw materials, has increased by 171 percent from January 2004 to January 2008, as shown in figure V-1.[4] Respondents report that the prices of raw materials have also increased substantially in China over the period of investigation.[5]

Figure V-1
SDGE: Monthly spot prices of crude oil, January 2004-January 2008



Source: *Energy Information Administration,* February 15, 2008.

[1] Petitioners' postconference brief, p. 25.

[2] Conference transcript, pp. 47 (Carney) and 75 (Stinson).

[3] According to a steel industry source, the price of needle coke has reportedly doubled since January 2005 and has increased by one-third since mid-2006. "Steel Guru," January 31, 2008. (http://www.steelguru.com/news/index/2008/01/31/MzU3MDk=/US_steel_mini_mills_boost_demand_for_specialized_coke_product.html).

[4] Conference transcript, p. 74 (Stinson). Energy Information Administration. (http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_m.htm).

[5] Respondents' postconference brief, p. 3.

Transportation Costs to the U.S. Market

Transportation costs for SDGE shipped from China to the United States averaged 8.6 percent of the customs value during 2006. This estimate is derived from official import data.[6]

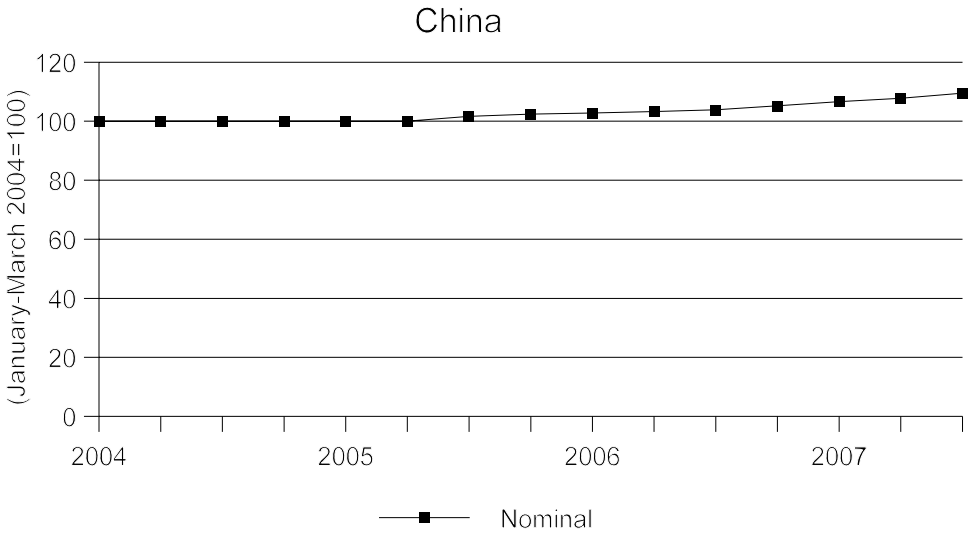
U.S. Inland Transportation Costs

Reported transportation costs on U.S. inland shipments of SDGE ranged from *** to *** percent of the delivered price for U.S. producers. For importers from China, the costs ranged from less than one percent to as much as 8 percent of the delivered price, with most firms citing costs of 3 percent or less.

Exchange Rate

While the nominal exchange rate for the Chinese yuan was pegged to the U.S. dollar during the first six quarters of the period for which data were collected in the investigation, the dollar depreciated by 9.5 percent relative to the yuan in nominal terms from the third quarter of 2005 to the third quarter of 2007. A real value is unavailable.

Figure V-2
Exchange rate: Index of the nominal exchange rate of the Chinese currency relative to the U.S. dollar, by quarters, January 2004-September 2007



Source: International Monetary Fund, International Financial Statistics, January 28, 2008.

PRICING PRACTICES

Pricing Methods

When questionnaire respondents were asked how they determined the prices that they charge for SDGE, responses were varied. Among U.S. producers, *** were most often cited. Among importers,

[6] The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2006 and then dividing by the customs value. This calculation used import data on HTS subheading 8545.11.00.

transaction-by-transaction negotiations were most often cited, while others reported the use of contracts for multiple shipments. *** producers *** importers reported the use of price lists.

Prices of SDGE are most commonly quoted on a delivered rather than an f.o.b. basis, for both U.S. producers and importers.

Sales Terms and Discounts

U.S. producers and importers of SDGE from China were asked what share of their sales were on a (1) long-term contract basis (multiple deliveries for more than 12 months), (2) short-term contract basis, and (3) spot sales basis (for a single delivery) during 2006. Among producers, *** reported that they sell ***. ***. Among the eight responding importers that reported sales of imports from China, five reported a mixture of short-term contracts and spot sales, with a majority reporting the use of short-term contracts. Two importers reported that they sell entirely on a spot basis while the remaining importer reported that it sells entirely on a short-term contract basis.

For U.S. producers selling on a contract basis, ***. These producer contracts usually *** a meet-or-release provision. In the case of importers, short-term contracts can range from periods as short as one month to one year, with most firms reporting short-term contracts that last at least six months or more. Prices and quantities are both typically fixed during the contract period. These importer contracts typically do not contain meet-or-release provisions.

Discount policies on sales of SDGE vary widely. ***. Among importers, three importers reported the use of discounts based on volume or early payment.

PRICE DATA

The Commission requested U.S. producers and importers of SDGE from China to provide quarterly data for the total quantity and f.o.b. value of selected products that were shipped to unrelated customers in the U.S. market.[7] Data were requested for the period January 2004-September 2007. The products for which pricing data were requested are as follows:

> ***Product 1*.—HP graphite electrodes, 250 mm. (10 inches) nominal diameter x 1,800 mm. (72 inches) nominal length, 3 TPI taper connecting pin.**
>
> ***Product 2*.— HP graphite electrodes, 300 mm. (12 inches) nominal diameter x 1,800 mm. (72 inches) nominal length, 3 TPI taper connecting pin.**
>
> ***Product 3*.— UHP graphite electrodes, 350 mm. (14 inches) nominal diameter x 1,800 mm. (72 inches) nominal length, 3 TPI taper connecting pin.**

[7] Pricing data were requested separately for sales to distributors and sales to end users. *** of reported sales were to end users. U.S. producers' reported sales quantities to distributors accounted for *** percent of their total reported quantity of sales of pricing products. Among the four products, U.S.-produced product 1 had ***, accounting for *** percent of the total quantity of reported sales of that product. However, U.S.-produced product 1 also had *** as reported by U.S. producers. The price trends of sales to the two channels for U.S.-produced products 1-4 were ***; however, the prices of products 3 and 4 sold to distributors *** (product 3 prices to distributors increased by *** percent from January 2004 to September 2007 and product 4 prices to distributors increased by *** percent over the same period). U.S. producers' reported prices to end users were generally *** than reported prices to distributors. *** percent of the reported sales of pricing products 1-4 imported from China were to end users. If only sales prices to end users are considered, the underselling/overselling analysis presented here does not change significantly. *See* discussion of margins of underselling later in Part V.

***Product 4*.-- UHP graphite electrodes, 400 mm. (16 inches) nominal diameter x 1,800 mm. (72 inches) nominal length, 3 TPI taper connecting pin.**

*** U.S. producers and seven importers provided pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' U.S. commercial shipments of SDGE during January 2004-September 2007 and 19.0 percent of U.S. shipments of imports from China over the same period.[8]

Price Trends

Weighted-average f.o.b. prices reported for U.S. producers and importers are presented in tables V-1 through V-4 and in figures V-3 through V-6 on a quarterly basis during January 2004-September 2007.[9] Domestic prices of pricing products 1 and 2 fluctuated throughout most of the period of investigation, increasing *** for product 1 and *** for product 2 *** domestic prices for products 3 and 4 increased ***. The prices of products 1 and 2 imported from China increased *** but remained relatively flat for most of the period of investigation, whereas the prices of products 3 and 4 imported from China trended upwards, with prices for product 4 increasing ***. For sales reported by U.S. producers, product *** accounted for the majority of sales (*** percent of the total quantity reported by U.S. producers for all pricing products), product *** accounted for *** percent, product *** accounted for ***, and product *** accounted for *** percent. For sales of products imported from China, product *** accounted for the majority of sales (*** percent of the total quantity reported by importers for all pricing products), product *** accounted for *** percent, product *** accounted for *** percent, and product *** accounted for *** percent.

The weighted-average sales price of U.S.-produced product 1, as reported by U.S. producers *** increased by *** percent from the first quarter of 2004 to the third quarter of 2007. The weighted-average sales price of product 1 imported from China, as reported by importers *** increased by *** percent over the same period, with most of the increase occurring in the ***.

The weighted-average sales price of U.S.-produced product 2 as reported by U.S. producers *** increased by *** percent from the first quarter of 2004 to the third quarter of 2007. The weighted-average sales price of product 2 imported from China as reported by importers *** increased by *** percent over the same period.

The weighted-average sales price of U.S.-produced product 3 as reported by U.S. producers *** increased by *** percent from the first quarter of 2004 to the third quarter of 2007. The weighted-average sales price of product 3 imported from China as reported by importers *** increased by *** percent over the same period.

The weighted-average sales price of U.S.-produced product 4 increased by *** percent from the first quarter of 2004 to the third quarter of 2007. The weighted-average sales price of product 4 imported from China as reported by importers *** increased by *** percent from the second quarter of 2004 to the third quarter of 2007.

---

[8] Pricing data reported by importers of nonsubject imports are presented in appendix E.

[9] One importer (***) reported delivered prices rather than f.o.b. prices because it was reportedly unable to remove its U.S.-inland freight costs. Its delivered prices are included in the pricing data presented here. Staff estimates that ***'s U.S.-inland freight costs are *** percent of its delivered price, based on ***'s questionnaire response. ***'s Importers' Questionnaire at III-11. Pricing comparisons that include staff's estimated f.o.b. prices for *** that deduct its estimated U.S.-inland freight costs are *** to those presented here. There would be *** instances of underselling out of *** quarterly comparisons, with margins of underselling ranging from *** percent to *** percent. ***'s reported sales quantities of products 1-4 account for *** percent of the total quantity of sales of products 1-4 reported by importers.

Table V-1
SDGE: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2004-September 2007

* * * * * * *

Table V-2
SDGE: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2004-September 2007

* * * * * * *

Table V-3
SDGE: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2004-September 2007

* * * * * * *

Table V-4
SDGE: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarters, January 2004-September 2007

* * * * * * *

Figure V-3
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 1, by quarters, January 2004-September 2007

* * * * * * *

Figure V-4
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 2, by quarters, January 2004-September 2007

* * * * * * *

Figure V-5
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 3, by quarters, January 2004-September 2007

* * * * * * *

Figure V-6
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 4, by quarters, January 2004-September 2007

* * * * * * *

Price Comparisons

Margins of underselling and overselling for the period are presented by product category in tables V-5 and V-6 below. The data show that prices of imports from China were lower than the U.S. producer prices in 49 of 55 quarterly comparisons of products 1-4, by margins ranging from 0.8 percent to 49.4 percent.[10]

Table V-5
SDGE: Margins of underselling/(overselling) by product, quarterly, January 2004-September 2007

* * * * * * *

Table V-6
SDGE: Instances of underselling/overselling and the range and average of margins for products 1-4, January 2004-September 2007

Product	Underselling			Overselling		
	Number of instances	Range (*percent*)	Average margin (*percent*)	Number of instances	Range (*percent*)	Average margin (*percent*)
Product 1	14	8.2 to 42.7	25.7	0	0	(1)
Product 2	15	17.8 to 49.4	29.2	0	0	(1)
Product 3	13	0.8 to 32.8	11.4	1	4.0	4.0
Product 4	7	3.6 to 18.3	10.5	5	2.4 to 83.1	22.9
Total[2]	**49**	**0.8 to 49.4**	**20.8**	**6**	**2.4 to 83.1**	**19.8**

[1] Not applicable.
[2] Total number of instances for all cited products, range of margins for all cited products, and average margin for all cited products.

Source: Compiled from data submitted in response to Commission questionnaires.

[10] If only sales to end users are considered, there would be fewer quarterly comparisons, but the analysis would not change significantly. There would be *** instances of underselling, with margins ranging from *** percent to *** percent and *** instances of overselling, with margins ranging from *** percent to *** percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of SDGE to report any instances of lost sales or revenues they experienced due to competition from imports of SDGE from China since January 2004. U.S. producer *** reported that it had to either reduce prices or roll back announced price increases and provided *** lost sales allegations totaling $***. Staff contacted the *** purchasers cited in the allegations; *** responded, *** of which confirmed *** allegations, valued at a total of $***. The results are summarized in table V-7 and are discussed below. U.S. producer *** did not report specific lost sales allegations; rather, it reported that there are *** purchasers that ***.[11]

Table V-7
SDGE: U.S. producers' lost sales allegations

* * * * * * *

***.

[11] *** of the purchasers cited by *** (***) are also cited in lost sales allegations reported by ***.

PART VI: FINANCIAL CONDITION OF U.S. PRODUCERS

BACKGROUND

Two U.S. producers of SDGE provided usable financial data on their operations on SDGE.[1] These data are believed to account for all U.S. production of SDGE in 2006. *** reported *** on its SDGE operations; however, the reported amounts account for a weighted average of *** percent of total net sales (quantity and value) during the period for which data were collected in the investigation and are not shown separately in this section of the report.

OPERATIONS ON SDGE

Income-and-loss data for U.S. producers of SDGE are presented in table VI-1. Selected company-specific financial data are presented in table VI-2. The reported aggregate net sales quantities steadily declined from 2004 to 2006, and also declined between the interim periods. In contrast, aggregate net sales values generally increased from 2004 to 2006 and showed a *** decrease between the interim periods. As a result of these movements, per-unit revenues increased during the period for which data were collected in the investigation, which led to improved operating income in 2006 as compared to 2004. In 2005 and January-September 2007, however, cost increases outpaced revenue increases and resulted in *** for these two periods.

Table VI-1
SDGE: Results of operations of U.S. producers, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

For U.S. producers of SDGE, per-unit net sales values increased by $*** from 2004 to 2006, while combined per-unit cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses increased by $*** during this time frame, which led to improved operating income in 2006 as compared to 2004, and also ***. Between the interim periods, per-unit net sales values increased by $***, while per-unit costs and expenses increased by $***, which resulted in *** for the period January-September 2007. In contrast, revenue and cost data for January-September 2006 revealed *** during the period for which data were collected in the investigation.[2]

While all components of COGS and SG&A expenses increased on a per-unit basis during the period for which data were collected, the most significant increases occurred in *** and *** (both increased *** percent from 2004 to 2006), followed by *** (which increased *** percent from 2004 to 2006, and *** percent between the interim periods).[3]

---

[1] The U.S. producers of SDGE are Superior Graphite and SGL Carbon. In addition, three U.S. producers reported operations on LDGE. These U.S. producers are C/G Electrodes, SGL Carbon, and Showa Denko. All U.S. producers of SDGE and LDGE reported a fiscal year end of Dec. 31. Income-and-loss data for U.S. producers of LDGE are presented in table C-2, while income-and-loss data for the combined operations of U.S. producers of SDGE and LDGE are presented in table C-3.

[2] *** the reported financial results for SDGE operations, operations on LDGE are ***, with operating margins ranging from *** to *** percent during the period for which data were collected. Petitioners state that the *** for the two products is due to unfair competition from imports of SDGE from China, and that per-unit prices for SDGE and LDGE were ***. Petitioners' postconference brief, exh. 1, p. 6.

[3] Superior Graphite stated at the conference that costs for raw materials and energy increased almost constantly during the period for which data were collected, with per-unit raw material costs more than doubling between 2004

(continued...)

Table VI-2
SDGE: Selected results of operations of U.S. producers, by firm, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

While the aggregate data on SDGE operations reveal an industry that was ***, individual firm data reveal that *** on its SDGE operations. In terms of per-unit revenue, ***.[4]

A variance analysis for the operations of U.S. producers of SDGE is presented in table VI-3. The information for this variance analysis is derived from table VI-1. The variance analysis provides an assessment of changes in profitability as it relates to changes in pricing, cost, and volume. The analysis shows that the improvement in the operating income from 2004 to 2006 was attributable to the higher favorable price variance despite an unfavorable net cost/expense variance (i.e., prices increased more than costs and expenses). Between the interim periods, the favorable price variance was less than the unfavorable net cost/expense variance (i.e., costs and expenses increased more than prices), which led to *** in January-September 2007.

Table VI-3
SDGE: Variance analysis on the operations of U.S. producers, 2004-06, and January-September 2006 to January-September 2007

* * * * * * *

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures and research and development ("R&D") expenses are shown in table VI-4. Both SGL Carbon and Superior Graphite reported capital expenditures and R&D expenses. Between the two firms, *** accounted for *** of reported capital expenditures and R&D expenses. According to ***, its capital expenditures primarily reflect ***, while its R&D expenses primarily reflect ***.[5] *** reported that its capital expenditures primarily reflect ***. In addition, *** reported that its R&D expenses primarily reflect ***.[6] [7] With the exception of interim 2007, ***.

Table VI-4
SDGE: Capital expenditures and research and development expenses of U.S. producers, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

---

[3](...continued)
and 2007. Conference transcript, p. 25 (Carney).

[4] Petitioners' postconference brief, exh. 1, pp. 4-6.

[5] ***.

[6] ***.

[7] Superior Graphite stated at the conference that its recent profitability has been too low to justify any significant investment in improvements to production equipment, thus capital investment has largely been limited to the maintenance of existing equipment. Conference transcript, p. 26 (Carney). In contrast, respondents argue that any material injury that Superior Graphite claims to have suffered is self-inflicted because the company has failed to modernize its equipment and has limited its production to the less profitable smaller electrodes. Conference transcript, p. 11 (Levinson).

ASSETS AND RETURN ON INVESTMENT

Data on the U.S. producers' total assets and their return on investment ("ROI") are presented in table VI-5. For U.S. producers of SDGE, the total assets utilized in the production, warehousing, and sale of such products increased from 2004 to 2006, with an increase from $*** in 2004 to $*** in 2006. The ROI increased irregularly during the period for which data were requested, declining to *** in 2005 before *** in 2006 to *** that was somewhat higher than the 2004 ROI. The trend in the ROI was similar to the trend in operating income.

Table VI-5
SDGE: U.S. producers' total assets and return on investment, fiscal years 2004-06

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of SDGE and U.S. producers of LDGE to describe any actual or potential negative effects of imports of SDGE from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Their responses are shown in appendix F.

PART VII: THREAT CONSIDERATIONS AND *BRATSK* INFORMATION

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in appendix F. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission in relation to *Bratsk* rulings.

THE INDUSTRY IN CHINA

The Commission sent foreign producer/exporter questionnaires to 102 firms identified in the petition as producers or exporters of SDGE in China, for which contact information was publicly available.[1] Thirteen firms provided responses to the Commission's questionnaires.[2] The names of the foreign firms along with shares of production and subject exports to the United States (by quantity) are presented in table VII-1. The responding firms reported that they accounted for an estimated 65 percent of production of SDGE in China during 2006, and an estimated 89.9 percent of exports to the United States of SDGE during 2006.[3] The Commission asked these foreign firms to estimate the shares of their firm's total sales that were represented by sales of SDGE in 2006; firms reported an average of 58 percent, with sales of SDGE ranging from 35 percent to 100 percent of total sales. Only one Chinese producer reported plans to change production capacity or production of SDGE in China.[4]

Table VII-2 presents information on Chinese producers' SDGE operations as compiled from responses to the Commission's questionnaires. Chinese capacity remained relatively steady, increasing by only 3.4 percent from 2004 to 2006, and decreasing by 2 percent from January-September 2006 to January-September 2007. Exports to the United States rose by 41 percent from 2004 to 2006, compared with an increase of 23.6 percent to all other markets. As a ratio of total shipments, exports to the United States rose from 6.5 percent to 8.9 percent, while exports to other markets rose from 32.2 percent to 38.6 percent from 2004 to 2006. Ratios of inventories to production and to total shipments increased between 2004 and 2006, but decreased between the interim periods.

Table VII-1
SDGE: Reporting manufacturers/exporters in China, and quantities and shares of reported production and exports to the United States, 2006

* * * * * * *

[1] Petition, Exhibit General-3.

[2] Two firms responded that they did not produce or export SDGE at any time since January 1, 2004.

[3] The coverage share is based on a summary of estimates provided by firms in response to the Commission's questionnaire. Chinese producers' questionnaire responses, section II-7, fn. 4 and 5.

[4] The Chinese producer, which estimated that it accounted for *** percent and *** percent of total Chinese production and exports to the United States, reported that ***. It reported that ***.

Table VII-2
SDGE: China's reported capacity, production, inventories, and shipments, 2004-06, January-September 2006, January-September 2007, and projections for 2007 and 2008

Item	Actual experience			January-September		Projections[1]	
	2004	2005	2006	2006	2007	2007	2008
Quantity (*metric tons*)							
Capacity	178,300	184,900	184,400	157,150	153,975	182,300	185,100
Production	152,289	167,650	163,996	133,295	144,258	184,994	184,400
End-of-period inventories	15,000	19,753	20,731	26,616	20,951	13,243	7,928
Shipments:							
Internal consumption/transfers	9,462	6,991	472	1,043	7,968	29,462	83,100
Home-market shipments	89,017	82,760	86,243	70,724	72,485	104,521	106,625
Exports to:							
United States	10,485	12,386	14,780	10,443	11,325	13,395	11,260
Other	51,643	63,856	63,812	45,946	53,641	77,852	70,710
Total exports	62,128	76,242	78,592	56,388	64,966	91,247	81,970
Total shipments	160,607	165,993	165,307	128,155	145,419	225,230	271,695
Ratios and shares (*percent*)							
Capacity utilization	85.4	90.7	88.9	84.8	93.7	101.5	99.6
Inventories/production	9.8	11.8	12.6	15.0	10.9	7.2	4.3
Inventories/total shipments	9.3	11.9	12.5	15.6	10.8	5.9	2.9
Share of total shipments:							
Internal consumption/transfers	5.9	4.2	0.3	0.8	5.5	13.1	30.6
Home-market shipments	55.4	49.9	52.2	55.2	49.8	46.4	39.2
Exports to:							
United States	6.5	7.5	8.9	8.1	7.8	5.9	4.1
Other	32.2	38.5	38.6	35.9	36.9	34.6	26.0
Total exports	38.7	45.9	47.5	44.0	44.7	40.5	30.2

Note.--Caution should used when comparing actual experience to projections as one Chinese producer, which reported actual experience, did not provide projections for 2007 and 2008.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' INVENTORIES

Data collected in this investigation on U.S. importers' end-of-period inventories of SDGE are presented in table VII-3. U.S. importers' reported inventories of SDGE from China increased by 21.0 percent from 2004 to 2005, and by 97.9 percent from 2005 to 2006. Reported inventories from China increased 125.8 percent in January-September 2007 when compared to January-September 2006. These inventories from China, as a share of imports from China, also increased from 19.6 percent in 2004 to 32.4 percent in 2006, and increased between the interim periods. Inventories from all other sources also increased but to a lesser degree, rising by 38.0 percent from 2004 to 2006, although they decreased by 23.5 percent in January-September 2007 when compared to January-September 2006.[5]

Table VII-3
SDGE: U.S. importers' end-of-period inventories of imports, by source, 2004-06, January-September 2006, and January-September 2007

Source	Calendar year			January-September	
	2004	2005	2006	2006	2007
Imports from China (subject):					
Inventories (*metric tons*)	1,821	2,204	4,361	1,596	3,604
Ratio of inventories to imports (*percent*)	19.6	20.2	32.4	11.1	22.0
Ratio of inventories to U.S. shipments of imports (*percent*)	***	***	***	***	***
Imports from all other sources:					
Inventories (*metric tons*)	1,249	1,312	1,723	1,093	836
Ratio of inventories to imports (*percent*)	***	***	***	***	***
Ratio of inventories to U.S. shipments of imports (*percent*)	***	***	***	***	***
Imports from all sources:					
Inventories (*metric tons*)	3,070	3,516	6,084	2,689	4,440
Ratio of inventories to imports (*percent*)	***	***	***	***	***
Ratio of inventories to U.S. shipments of imports (*percent*)	***	***	***	***	***

Note.–Ratios are based on annualized import and shipments data.

Source: Compiled from data submitted in response to Commission questionnaires.

[5] Importer *** noted that due to shipments taking between 5 and 9 weeks for delivery, it decided to increase its inventories between 2005 to 2006 in order to ensure that it could fulfill its customer orders on time.

U.S. IMPORTERS' CURRENT ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of SDGE from China after September 30, 2007. Twelve firms reported having imported or arranged for the importation of SDGE from China, nine firms during October-December 2007, and ten firms during 2008.[6] Table VII-4 presents U.S. importers' orders of SDGE from China for October 2007 through December 2008.

Table VII-4
SDGE: U.S. importers' current orders from China subsequent to September 2007

Period	Quantity (*metric tons)*
October-December 2007	2,872
2008	15,505
Source: Compiled from data submitted in response to Commission questionnaires.	

ANTIDUMPING INVESTIGATIONS IN THIRD-COUNTRY MARKETS

The government of India has conducted one antidumping duty investigation on imports of graphite electrodes (a product with a definition broader than SDGE). India imposed antidumping duty orders on graphite electrodes from Austria, Belgium, China, France, Germany, Italy, Spain, and United States in May 1998.[7] In July 2003, a continuation notice of the antidumping duty order on imports from China was issued.[8] Antidumping duties were removed in July 2003 from all other countries covered by the original orders. There is no indication that SDGE from China has been the subject of any import relief investigations in any other countries.

INFORMATION ON NONSUBJECT COUNTRIES

"Bratsk" Considerations

As a result of the Court of Appeals for the Federal Circuit ("CAFC") decision in *Bratsk Aluminum Smelter v. United States* ("Bratsk"), the Commission is directed to:

> *undertake an "additional causation inquiry" whenever certain triggering factors are met: "whenever the antidumping investigation is centered on a commodity product, and price competitive non-subject imports are a significant factor in the market." The additional inquiry required by the Court, which we refer to as the Bratsk replacement / benefit test, is "whether non-subject imports would have replaced the subject imports without any beneficial effect on domestic producers."*[9]

---

[6] U.S. importers' questionnaire responses, section II-3.

[7] *Annual Report 2005-2006*, Directorate General of Anti-dumping & Allied Duties, Ministry of Commerce & Industry, Government of India.

[8] No antidumping duties were imposed on the following producer/exporter combinations: (1) Chengdu Rongguang/Liaoning Jiayi and (2) Liaoyang Carbon Co. Ltd. of China/Liaoning Jiayi Metals & Minerals Co. Ltd.

[9] *Silicon Metal from Russia, Inv. No. 731-TA-991 (Second Remand)*, USITC Publication 3910, March 2007, p. 2, citing *Bratsk Aluminum Smelter v. United States*, 444 F.3d at 1375.

Global Market

According to official import statistics from the U.S. Department of Commerce, U.S. imports of electrodes provided for under HTS subheading 8545.11.00, a "basket" category, entered the United States from 25 countries other than China between 2004 and September 2007. According to data collected in questionnaire responses and adjusted official Commerce import statistics,[10] imports from three countries (China, Japan, and Mexico) accounted for the vast majority of total imports of SDGE by quantity and value during the period for which data were collected.[11] Detailed production data for SDGE produced in the nonsubject countries of Brazil, Canada, Germany, India, Japan, Mexico, Poland, and Russia are not readily available. Trade data for these countries, however, suggest that Canada, Germany, Japan, and Mexico are major net exporters of graphite electrodes, either SDGE or LDGE. Mexico is a producer of both SDGE and LDGE.[12] U.S. imports from Japan, Canada, and Germany are believed to consist of LDGEs.[13]

Major multinational producers of graphite electrodes such as SGL Carbon AG, GrafTech International, Showa Denko K.K., and Tokai Carbon maintain company operations in North America, Europe, Asia, and Japan. The United States and Japan produce needle coke, a critical raw material component in the production of graphite electrodes, both SDGE and LDGE.[14] Needle coke production is critical for the success of electrode performance and reportedly limits the ability of manufacturers in other countries to make higher grades and sizes of graphite electrodes.

The export, import, and trade balance data presented in table VII-5 are derived from Global Trade Atlas for 6-digit HTS subheading 8545.11, and include nonsubject products. Table VII-6 presents adjusted imports for 2004-06.

Mexico

Graftech International (also known as UCAR Carbon Mexicana S.A.) is presently the sole producer of SDGE and LDGE in Mexico.[15] According to a Graftech International industry representative in Mexico, the firm produces SDGE and LDGE.[16] Graftec International operates a state-of-the-art manufacturing facility capable of manufacturing more than 230,000 metric tons of graphite electrodes, depending on product demand and mix. Graftech International's production facility in Monterrey, Mexico is the largest graphite electrode manufacturing plant in the world.[17]

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[10] Data on U.S. imports from sources other than China and Mexico are based on estimates provided in the petition. Petition Injury Exh. 2.

[11] These three countries also accounted for the vast majority of total U.S. imports as reported in official Commerce import statistics, which include nonsubject electrodes.

[12] Conference transcript, p. 42 (Stinson), p. 79 (Carney), and p. 133 (Brashem).

[13] E.g., conference transcript, p. 88 (Stinson), p. 132 (Brashem).

[14] Conference transcript, pp. 52-53 (Stinson).

[15] Mexico: Ministry of the Economy, "Sistema de Informacion Arancelaria (SIAVI)", found at http://www.economia.gob.mx, Feb. 8, 2008.

[16] Email from ***, February 20, 2008.

[17] Data Monitor, "Company Profile: GrafTech International Ltd.," August 23, 2007, p. 15.

Table VII-5
Carbon and graphite electrodes: Net trade positions of major subject and nonsubject countries, 2004-06

Country	Calendar year		
	2004	2005	2006
	Value (*$1,000*)		
Imports from:			
China	2,094	1,408	946
Mexico	11,442	20,978	25,665
Russia	31	451	276
India	577	1,462	8,746
Japan	1,255	1,195	728
Germany	1,515	1,309	5,624
Poland	44	214	29
Spain	2,299	1,964	2,810
Total	19,257	28,981	44,824
Exports from:			
China	16,804	22,040	24,866
Mexico	31,105	51,782	56,700
Russia	1,837	498	5,837
India	7,010	14,873	19,458
Japan	28,585	39,792	59,654
Germany	9,381	12,449	12,684
Poland	51	459	2,027
Spain	1,391	0	2,617
Total	96,164	141,893	183,843
Trade balance of:[1]			
China	14,711	20,632	23,920
Mexico	19,663	30,804	31,036
Russia	1,806	47	5,561
India	6,433	13,411	10,711
Japan	27,329	38,596	58,925
Germany	7,866	11,140	7,060
Poland	8	245	1,998
Spain	(908)	(1,964)	(193)
Total	76,908	112,911	139,018

[1] Positive numbers presented for “trade balance” show net exports and numbers in parentheses presented for “trade balance” show net imports.

Source: Compiled from the Global Trade Atlas database.

Brazil

Graftech International (also known as UCAR Carbon S.A.) is one of the world's largest manufacturers of graphite electrodes, and has a facility in Salvador, Brazil. Graftec International of Brazil maintains a state-of-the-art manufacturing facility producing both SDGEs and LDGEs.[18] While Graftech ***.[19]

Japan

There are five known manufacturers of graphite electrodes in Japan. Tokai Carbon Co. and Showa Denko Carbon of Tokyo, Japan are two of the four largest producers of graphite electrodes worldwide. Tokai Carbon and Showa Denko are major producers of LDGE and do not manufacture SDGE. Another producer, Mitsubishi Carbon, represents approximately 40 percent of Japan's exports of graphite electrodes for steelmaking.[20] Other Japanese exporters of graphite electrodes include Nippon Carbon Co. and SEC Corp. Japanese exports of graphite electrodes are thought to consist predominantly of LDGE.

Russia

Energoprom is the leading supplier of graphite electrodes and graphite products in Russia. Energoprom reportedly was the largest producer of LDGEs in Russia during 2006.[21] Information on recent production of SDGEs is not publicly available. According to GrafTec International, formerly known as UCAR Grafit OAO in Russia, its production facility of graphite and carbon electrodes closed in 2007.[22]

[18] GrafTech International 2007 SEC 10-Q filing, found at http://www.esignal.brand.edgar-online.com, retrieved on February 9, 2008.

[19] Email from ***, February 20, 2008.

[20] Mitsubishi Corp., "Profile Carbon Materials Unit," found at http://www.mitsubishicorp.com/en/bg/ucmaterials.html, February 13, 2008.

[21] Energoprom Co., Company profile, found at http://www.energoprom.kiev.ua, retrieved on February 9, 2008.

[22] U.S. Securities and Exchange Commission, "Synthetic Graphite Segment," GrafTech's 2007 10-Q filing, p. 12, and Data Monitor, "Company Profile: GrafTech International Ltd," DataMonitor, p. 23, found at http://www.datamonitor.com, retrieved on August 23, 2007.

Table VII-6
SDGE: U.S. Imports, by sources, 2004-06

Country	Calendar year		
	2004	2005	2006
	Quantity (*metric tons)*		
China	9,302	10,911	13,465
Mexico	***	***	***
India	52	68	1,845
Japan	1,134	1,258	1,454
Germany	120	186	393
Spain	50	0	161
Poland	0	33	138
All Other	6,367	2,213	4,914
Total	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted official Commerce statistics.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1143 (Preliminary)]

Small Diameter Graphite Electrodes From China

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–1143 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of small diameter graphite electrodes, provided for in subheading 8545.11.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by March 3, 2008. The Commission's views are due at Commerce within five business days thereafter, or by March 10, 2008.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

DATES: *Effective Date:* January 17, 2008.

FOR FURTHER INFORMATION CONTACT: Nathanael Comly (202–205–3174), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on January 17, 2008, by SGL Carbon LLC, Charlotte, NC and Superior Graphite Co., Chicago, IL.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on February 7, 2008, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Nathanael Comly (202–205–3174) not later than February 5, 2008, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before February 12, 2008, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 Fed. Reg. 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on

Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: January 18, 2008.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–1271 Filed 1–24–08; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–929]

Small Diameter Graphite Electrodes from the People's Republic of China: Initiation of Antidumping Duty Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: February 13, 2008.

FOR FURTHER INFORMATION CONTACT: Magd Zalok, AD/CVD Operations, Office 4, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–4162.

SUPPLEMENTARY INFORMATION:

The Petition

On January 17, 2008, the Department of Commerce (''Department'') received a petition concerning imports of small diameter graphite electrodes (''SDGE'') from the People's Republic of China (''PRC'') filed in proper form by SGL Carbon LLC and Superior Graphite Co. (collectively ''Petitioners''). *See* Petition on Small Diameter Graphite Electrodes from the People's Republic of China dated January 17, 2008 (''Petition''). On January 22 and 29, 2008, the Department issued a request for additional information regarding, and clarification of certain areas of, the Petition. Based on the Department's requests, the Petitioners filed additional information on January 25 and 30, 2008. The period of investigation (''POI'') is July 1 through December 31, 2007. *See* 19 CFR 351.204(b).

In accordance with section 732(b) of the Tariff Act of 1930, as amended (''the Act''), the Petitioners allege that imports of SDGE from the PRC are being, or are likely to be, sold in the United States at less than fair value, within the meaning of section 731 of the Act, and that such imports are materially injuring, or threaten material injury to, an industry in the United States.

The Department finds that the Petitioners filed this Petition on behalf of the domestic industry because the Petitioners are interested parties as defined in section 771(9)(C) of the Act, and have demonstrated sufficient industry support with respect to the antidumping duty investigation that the Petitioners are requesting that the Department initiate (*see* ''Determination of Industry Support for the Petition'' section below).

Scope of Investigation

The merchandise covered by this investigation includes all small diameter graphite electrodes of any length, whether or not finished, of a kind used in furnaces, with a nominal or actual diameter of 400 millimeters (16 inches) or less, and whether or not attached to a graphite pin joining system or any other type of joining system or hardware. Small diameter graphite electrodes are most commonly used in primary melting, ladle metallurgy, and specialty furnace applications in industries including foundries, smelters, and steel refining operations. Small diameter graphite electrodes subject to this investigation are currently classified under the Harmonized Tariff Schedule of the United States (''HTSUS'') subheading 8545.11.0000. The HTSUS number is provided for convenience and customs purposes, but the written description of the scope is dispositive.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with the Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments within 20 days of signature of this notice. Comments should be addressed to Import Administration's Central Records Unit (''CRU''), Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, attention Magd Zalok, room 3067. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination.

Comments on Product Characteristics for Antidumping Duty Questionnaire

We are requesting comments from interested parties regarding the appropriate physical characteristics of SDGE to be reported in response to the Department's antidumping questionnaire. This information will be used to identify the key physical characteristics of the subject merchandise in order for respondents to accurately report the relevant factors of production, as well as develop appropriate product reporting criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate list of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as general product characteristics and product reporting criteria. We note that it is not always appropriate to use all product characteristics as product reporting criteria. We base product reporting criteria on meaningful differences among products. While there may be some physical product characteristics which manufacturers use to describe SDGE, it may be that only a select few product characteristics take into account meaningful physical characteristics. In

order to consider the suggestions of interested parties in developing the antidumping duty questionnaire, we must receive comments at the above–referenced address by February 26, 2008. Rebuttal comments must be received within 10 calendar days of the receipt of timely filed comments.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method if there is a large number of producers in the industry.

Section 771(4)(A) of the Act defines the ''industry'' as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether ''the domestic industry'' has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), *citing Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the domestic like product as ''a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation,'' (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, the Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that SDGE constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* the *Antidumping Investigation Initiation Checklist: Small Diameter Graphite Electrodes from the People's Republic of China (PRC) (PRC Initiation Checklist)*, Industry Support at Attachment II, on file in the CRU.

On February 1, 2008, we received an industry support challenge from an importer of graphite electrodes from China. The Petitioners responded to this submission on February 4, 2008. *See PRC Initiation Checklist* at Attachment II (Industry Support). Our review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that the Petitioners have established industry support. First, the Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* section 732(c)(4)(D) of the Act. Second, the domestic producers have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. Finally, the domestic producers have met the statutory criteria for industry support under 732(c)(4)(A)(ii) because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See* PRC Initiation Checklist at Attachment II (Industry Support).

The Department finds that the Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department initiate. *See PRC Initiation Checklist* at Attachment II (Industry Support).

Allegations and Evidence of Material Injury and Causation

The Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (''NV''). The Petitioners contend that the industry's injured condition is illustrated by reduced market share, lost sales, reduced production, reduced capacity utilization rate, reduced shipments, underselling and price depressing and suppressing effects, lost revenue, reduced employment, decline in financial performance, and an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury and causation, and have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See PRC Initiation Checklist* at Attachment III (Injury).

Allegation of Sales at Less Than Fair Value

The following is a description of the allegation of sales at less than fair value upon which the Department based its decision to initiate this investigation of imports of SDGE from the PRC. The sources of data for the deductions and adjustments relating to the U.S. price and the factors of production are also discussed in the checklist. *See Initiation Checklist*. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we will reexamine the information and revise the margin calculations, if appropriate.

Export Price

The Petitioners relied on 14 prices obtained from U.S. resellers for SDGE manufactured by Chinese producers/

exporters. The 14 prices were for POI sales of certain types of SDGE falling within the scope of the Petition. The Petitioners deducted from the quoted prices the costs associated with exporting and delivering the product to the customer in the United States, including foreign brokerage and handling, ocean freight and insurance, U.S. inland freight, U.S. port fees, and a reseller's mark–up. *See Initiation Checklist.* The Petitioners calculated foreign brokerage and handling based on the methodology used by the Department in the *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007), and the accompanying memorandum, Investigation of Certain Polyester Staple Fiber from the People's Republic of China: Surrogate Values for the Final Determination, dated April 10, 2007, at 2. *See also* the Petition at page 51 and Exhibit AD–5. The Petitioners calculated ocean freight and insurance based on the CIF data for imports of SDGE from the PRC under HTSUS number 8545.11.0000, which were reported in the official U.S. import statistics published by the U.S. International Trade Commission Dataweb. The Petitioners calculated U.S. port fees, including harbor maintenance and processing fees, based on standard charges applicable to SDGE imported under HTSUS number 8545.11.0000. Lastly, the Petitioners calculated U.S. inland freight and a reseller's mark–up based on their own experience and knowledge of the industry.

NV

The Petitioners stated that the Department has not revoked the non–market economy (''NME'') status of the PRC, and thus they treated the PRC as a NME country for purposes of their Petition. The Department examined the PRC's market status and determined that NME status should continue for the PRC. *See Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, Regarding The People's Republic of China Status as a Non–Market Economy*, dated May 15, 2006. (This document is available online at http://ia.ita.doc.gov/download /prc–nme-status/prc–nme-status–memo.pdf.) In addition, in every subsequent investigations, the Department treated the PRC as an NME country. *See, e.g., Final Determination of Sales at Less Than Fair Value: Certain Activated Carbon from the People's Republic of China*, 72 FR 9508 (March 2, 2007), and *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. Because the presumption of NME status for the PRC has not been revoked by the Department it remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market–economy country in accordance with section 773(c) of the Act. After initiation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

The Petitioners selected India as the surrogate country arguing, pursuant to section 773(c)(4) of the Act, that India is an appropriate surrogate because it is a market–economy country that is at a level of economic development comparable to that of the PRC and is a significant producer and exporter of SDGE. *See* Petition at pages 52 through 54. Based on the information provided by the Petitioners, we find it appropriate to use India as a surrogate country for this initiation. After initiation, we will solicit comments regarding surrogate country selection.

The Petitioners calculated NVs for each of the U.S. prices discussed above using the Department's NME methodology that is required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Because the quantities of the factors of production that are consumed by Chinese companies in manufacturing SDGE are not available to the Petitioners, the Petitioners calculated NVs using consumption rates experienced by U.S. producers of SDGE. *See*≥ Petition at page 54. The Petitioners provided information which they claim demonstrates that Chinese and U.S. companies use the same process to produce SDGE. *See* the January 25, 2008, supplement to Petition at 11 and Enclosure 13. Additionally, the Petitioners provide an affidavit to support their use of U.S. production data. *See* the Petition at Exhibit AD–2. The Petitioners valued the factors of production as noted below.

The Petitioners valued material inputs using the most recently available six months of import data from the World Trade Atlas (data from December 2006 through May 2007). *See* the *PRC Initiation Checklist* and the Petition at page 56. In calculating surrogate values from Indian import data, the Petitioners excluded the values of imports from unspecified countries, NME countries, and countries which the Department has found to maintain broadly available, non–industry-specific export subsidies (i.e., Indonesia, the Republic of Korea and Thailand). *See Hand Trucks and Certain Parts Thereof From the People's Republic of China: Final Results of Administrative Review and Final Results of New Shipper Review*, 72 FR 27287 (May 15, 2007), and accompanying Issues and Decision Memorandum at Comment 23.

The Petitioners valued electricity using the cost of electricity for industrial use in India for 2000, obtained from *Energy Prices and Taxes, Quarterly Statistics, 3rd Quarter 2003*, published in the International Financial Statistics by the IMF. *See* Petition at pages 61–62 and Exhibit AD–7.

The Petitioners valued natural gas based on an article in *The Financial Express*, '' Gas Prices Hiked 12%,'' dated May 28, 2005. *See* Petition at pages 62–63 and Exhibit AD–7.

Where a surrogate value was in effect during a period preceding the POI, the Petitioners adjusted it using the Indian wholesale price index in the publication *International Financial Statistics*, which is published by the International Monetary Fund. *See* Petition at Exhibit AD–7. The surrogate values used by the Petitioners for the above–referenced inputs consist of information reasonably available to the Petitioners and are, therefore, acceptable for purposes of initiation.

The Petitioners based factory overhead expenses, selling, general and administrative expenses, and profit on data from an Indian SDGE producer, Graphite India Limited. The data come from the company's most recently available annual report which covers the period April 1, 2006, through March 31, 2007. *See* Petition at pages 63–64 and Exhibit AD–8, as well as Enclosure 1 of the January 30, 2008, supplement to the Petition. We find that the Petitioners' use of this company's information as surrogate financial data is appropriate for purposes of this initiation.

Fair Value Comparisons

Based on the data provided by the Petitioners, there is reason to believe that imports of SDGE from the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of export price to NV, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for SDGE range from

119.09 percent to 159.34 percent. *See* Enclosure 4 of the January 30, 2008, supplement to the Petition.

Initiation of Antidumping Investigation

Based upon the examination of the Petition on SDGE from the PRC, the Department finds that the Petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of SDGE from the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we will make our preliminary determination no later than 140 days after the date of this initiation.

Separate Rates

In order to obtain separate–rate status in NME investigations, exporters and producers must submit a separate–rate status application. *See* Policy Bulletin 05.1: Separate–Rates Practice and Application of Combination Rates in Antidumping Investigations Involving Non–Market Economy Countries (April 5, 2005) (Separate Rates and Combination Rates Bulletin), available on the Department's website at http://ia.ita.doc.gov/policy/bull05–1.pdf. Based on our experience in processing the separate–rate applications in previous antidumping duty investigations, we have modified the application for this investigation to make it more administrable and easier for applicants to complete. *See, e.g., Initiation of Antidumping Duty Investigation: Certain New Pneumatic Off–the-Road Tires From the People's Republic of China*, 72 FR 43591, 43594–95 (August 6, 2007). The specific requirements for submitting the separate–rate application in this investigation are outlined in detail in the application itself, which will be available on the Department's website at http://ia.ita.doc.gov/ia–highlights-and–news.html on the date of publication of this initiation notice in the **Federal Register**. The separate–rate application will be due 60 days after publication of this initiation notice.

Respondent Selection

For this investigation, the Department intends to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports under HTSUS number 8545.11.0000 during the POI. We intend to make our decision regarding respondent selection within 20 days of publication of this **Federal Register** notice. The Department invites comments regarding the CBP data and respondent selection within seven days of publication of this **Federal Register** notice.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The Separate Rates and Combination Rates Bulletin, states:

> {w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non–investigated firms receiving the weighted–average of the individually calculated rates. This practice is referred to as the application of ''combination rates'' because such rates apply to specific combinations of exporters and one or more producers. The cash–deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question *and* produced by a firm that supplied the exporter during the period of investigation. (Emphasis in original.)

See Separate Rates and Combination Rates Bulletin at 6.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), copies of the public version of the Petition have been provided to the representatives of the Government of the PRC. We will attempt to provide a copy of the public version of the Petition to the foreign producers/exporters, consistent with 19 CFR 351.203(c)(2).

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the International Trade Commission

The ITC will preliminarily determine, no later than March 3, 2008, whether there is a reasonable indication that imports of SDGE from the PRC are materially injuring, or threatening material injury to, a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: February 6, 2008.

Ronald K. Lorentzen,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. E8–2646 Filed 2–12–08; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigation:

SMALL DIAMETER GRAPHITE ELECTRODES FROM CHINA

Investigation No. 731-TA-1143 (Preliminary)

February 7, 2008 - 9:30 a.m.

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

<u>In Support of the Imposition of an Antidumping Duty Order</u>:

Kelley Drye Collier Shannon
Washington, DC
on behalf of

SGL Carbon LLC
Superior Graphite Co.

K. Andrew Stinson, Vice President, Technical Sales, Americas, SGL Carbon LLC
Edward O. Carney, President & CEO, Superior Graphite Co.
Dennis Shannon, Vice President, Sales, Superior Graphite Co**.**
Scott Anderson, Assistant Vice President of Production and Business Manager of Graphite Electrodes, Superior Graphite Co.
Michael T. Kerwin, Economist, Georgetown Economic Services

David A. Hartquist)
R. Alan Luberda) – OF COUNSEL
Grace W. Kim)

<u>In Opposition to the Imposition of an Antidumping Duty Order</u>:

Garvey Schubert Barer
Washington, DC
on behalf of

Ameri-Source Specialty Products, Inc.
Ceramark Technology Inc.
Fedmet Resources Corp./Diamond Graphite
Graphite Electrode Sales, Inc.
M. Brashem, Inc.
Beijing Fangda Carbon Tech Co., Ltd.
Chengdu Rongguang Carbon Co., Ltd.
Dalian Thrive Metallurgy Import & Export Co., Ltd.
Fangda Carbon New Material Co., Ltd.
Fushun Carbon Co., Ltd.
Fushun Jinly Petrochemical Carbon Co., Ltd.
Guanghan Shida Carbon Co., Ltd.
Jilin Carbon Import & Export Co.
Nantong River-East Carbon Joint Stock Co., Ltd.
Shanghai GC Co., Ltd.

Marvin Brashem, President, M. Brashem, Inc.
Phil Buchannan, Account Manager, M. Brashem, Inc.
Keith Kearney, President, Graphite Electrode Sales, Inc.
Keith Duke, Consultant, Graphite Electrode Sales, Inc.
Tommy Merrill, Sales Manager, Graphite Electrode Sales Co.
James Blatsioris, President of Electrode Division for
Diamond Graphite, Fedmet Resources Corp./Diamond Graphite
Thomas Diener, Co-Owner, Ameri-Source Specialty Products, Inc.

Lizbeth R. Levinson) – OF COUNSEL
Ronald M. Wisla)

APPENDIX C

SUMMARY DATA

Table C-1
SDGE: Summary data concerning the U.S. market, 2004-06, January-September 2006, and January-September 2007

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Table C-2
LDGE: Summary data concerning the U.S. market, 2004-06, January-September 2006, and January-September 2007

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Table C-3
Total graphite electrodes: Summary data concerning the U.S. market, 2004-06, January-September 2006, and January-September 2007

* * * * * * *

APPENDIX D

RESPONSES OF THE U.S. PRODUCERS CONCERNING THE DIFFERENCES BETWEEN SDGE AND LDGE

The Commission requested U.S. producers to describe the differences between SDGE and LDGE with respect to the following factors (Question II-9):

Characteristic & Uses

***.

Interchangeability

***.

Manufacturing process

***.

Channels of distribution

***.

Customer & producer perceptions

***.

Price

***.

APPENDIX E

PRICING DATA FOR NONSUBJECT IMPORTS

Table E-1
SDGE: Weighted-average f.o.b. prices and quantities of domestic and subject and nonsubject imported product 1, by quarters, January 2004-September 2007

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Table E-2
SDGE: Weighted-average f.o.b. prices and quantities of domestic and subject and nonsubject imported product 2, by quarters, January 2004-September 2007

* * * * * * *

Table E-3
SDGE: Weighted-average f.o.b. prices and quantities of domestic and subject and nonsubject imported product 3, by quarters, January 2004-September 2007

* * * * * * *

Table E-4
SDGE: Weighted-average f.o.b. prices and quantities of domestic and subject and nonsubject imported product 4, by quarters, January 2004-September 2007

* * * * * * *

Figure E-1
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 1, by quarters, January 2004-September 2007

* * * * * * *

Figure E-2
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 2, by quarters, January 2004-September 2007

* * * * * * *

Figure E-3
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 3, by quarters, January 2004-September 2007

* * * * * * *

Figure E-4
SDGE: Weighted-average f.o.b prices and quantities of domestic and imported product 4, by quarters, January 2004-September 2007

* * * * * * *

APPENDIX F

ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2004, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of SDGE from China. Their responses are as follows:

Actual Negative Effects On SDGE Operations

***.

Anticipated Negative Effects On SDGE Operations

***.