ELECTROLYTIC MANGANESE DIOXIDE FROM GREECE, IRELAND, AND JAPAN

Determinations of the Commission in Investigations Nos. 731–TA–406 through 408 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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C O N T E N T S

CONTENTS

Tables

CONTENTS

CONTENTS

Note.--Information that would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report.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
Washington, DC

Investigations Nos. 731-TA-406-408 (Preliminary)

ELECTROLYTIC MANGANESE DIOXIDE FROM GREECE, IRELAND, AND JAPAN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Greece, Ireland, and Japan of electrolytic manganese dioxide (EMD), provided for in item 419.44 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 31, 1988, a petition was filed with the Commission and the Department of Commerce by Chemetals, Inc., Baltimore, MD, and Kerr-McGee Chemical Corp., Oklahoma City, OK, alleging that an industry in the United States is materially injured and is threatened with further material injury, by reason of LTFV imports of EMD from Greece, Ireland, and Japan. Accordingly, effective May 31, 1988, the Commission instituted preliminary antidumping investigations Nos. 731-TA-406 (Preliminary) (Greece), 731-TA-407 (Preliminary) (Ireland), and 731-TA-408 (Preliminary) (Japan).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting

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

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 June 8, 1988 (53 F.R. 21530). The conference was held in Washington, DC, on June 20, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We unanimously determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of electrolytic manganese dioxide (EMD) from Greece, Ireland and Japan that are allegedly being sold at less than fair value (LTFV).

Like product and domestic industry

To determine whether there exists a "reasonable indication of material injury," the Commission must first make factual determinations with respect to "like product" and "domestic industry". 1/ The imported product subject to these investigations is manganese dioxide that has been refined in an electrolysis process. 2/ 3/ EMD is an intermediate product used in the production of dry cell batteries, and comes in three physical forms -- powder, chip or plate form, and two grades -- alkaline or zinc chloride. All three forms and both grades are included within the scope of investigation. 4/

The production of EMD involves three steps: ore handling, electrolysis and finishing. In the finishing stage, the anodes are removed from the cell and the EMD deposit is stripped from the anodes, washed and neutralized to

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1/ Section 771(4)(A) of the Tariff Act of 1930 defines the relevant domestic industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product . . . ." 19 U.S.C. § 1677(4)(A). "Like product" is defined 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." 19 U.S.C. § 1677(10).

2/ Report of the Commission (Report) at A-2.

3/ The Department of Commerce's Notice of Initiation describes the scope of the investigation as: electrolytic manganese dioxide currently provided for under TSUSA item number 419.4420. 53 Fed. Reg. 24115 (Greece), 53 Fed. Reg. 24116 (Ireland) and 53 Fed. Reg. 24117 (Japan) (June 27, 1988).

4/ Id.

remove traces of electrolyte. The EMD, which is then in plate or chip form, is ground into powder for sale. The neutralization and grinding processes result in two separate grades of EMD, alkaline and zinc chloride.

Petitioners request that all EMD be treated as a single like product. 5/ Respondents urge that two grades be treated as separate like products. 6/

In considering the question of like product in a title VII investigation, the Commission examines factors relating to the characteristics and uses of the subject merchandise including physical appearance, end uses, customer perceptions of the articles, common manufacturing facilities and production employees, and channels of distribution. 7/ The Commission has found minor variations to be an insufficient basis for a separate like product analysis. Instead, the Commission has looked for clear dividing lines among products. 8/

The chief physical differences between alkaline and zinc chloride EMD are the grind and the pH level to which the EMD is neutralized. 9/ Zinc chloride EMD is more acidic and more finely ground than alkaline EMD. The two

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5/ Kerr-McGee Chemical Corp. (KMCC) post-conference brief at 3; Chemetals post-conference brief at 7.
6/ Mitsui post-conference brief at 5; Tosoh post-conference brief at 7; Eveready post-conference brief at 26.
7/ See Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 at 5 (1987) and 64K Dynamic Random Access Memory Components from Japan, Inv. No. 731-TA-270 (Final), USITC Pub. 1862 at 6 (1986).
8/ See, e.g., Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Invs. Nos. 303-TA-19 and 20 (Preliminary) and Inv. Nos. 731-TA-391-399 (Preliminary), USITC Pub. 2083 at 7 (1988); Operators for Jalousie and Awning Windows from El Salvador, Invs. Nos. 701-TA-272 and 731-TA-319 (Final), USITC Pub. 1934 at 4, n.4 (1987).

grades are also distinguishable in characteristics because zinc chloride grade EMD has higher absorption capacity, lower apparent density, and is neutralized by a different method. 10/ The parties generally agree that both grades are produced in the same plants, using the same facilities, and differ only in the finishing stage. 11/ The record also reflects that the two grades tend to be supplied to battery producers through similar channels of distribution. 12/

Respondents argue that alkaline grade EMD and zinc chloride grade EMD are not interchangeable in the battery production process. Petitioners, however, maintain that a given EMD grade could qualify as alkaline grade for one manufacturer and as zinc chloride grade for another. 13/ Petitioners also argue that in many applications alkaline batteries are interchangeable with zinc chloride batteries. 14/ Consequently, petitioners argue that alkaline and zinc chloride grade EMD compete and are broadly interchangeable because the end product (batteries) of which they are an important ingredient, also compete. 15/ Finally, the prices for equivalent grades of alkaline EMD and

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9/ Report at A-2-A-3.
10/ Eveready post-conference brief at 26.
11/ KMCC post-conference brief at 6; Chemetals post-conference brief at 6; and Mitsui post-conference brief at 6-7. See also report at A-5.
12/ Report at A-15.
13/ Chemetals post-conference brief at 8-9.
14/ KMCC post-conference brief at 13. Mitsui, however, argues that zinc chloride and alkaline batteries are not realistically interchangeable. Mitsui post-conference brief at 7-8.
15/ See Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary), USITC Pub. 1960 at 28 (1987).

zinc chloride EMD are essentially identical, which lends support to the argument that, at some level, the two grades are interchangeable. 16/

We find that all EMD is manufactured in common facilities and generally shares the same channels of distribution. EMD is used exclusively in batteries, and we find the minor physical differences between zinc chloride and alkaline grade EMD, which are determined by the finishing stage of production, to be an insufficient basis for a separate like product analysis. Based upon the above analysis, we determine for purposes of these preliminary investigations that there is a single like product consisting of both alkaline grade and zinc chloride grade EMD, in powder, plate or chip form. 17/ We

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16/ The Commission has previously considered similar like product issues in cases involving chemical products. For example, Potassium Permanganate from the People's Republic of China, Inv. No. 731-TA-125 (Final), USITC Pub. 1480 (1984) involved three distinct grades of potassium permanganate. The Chinese producers exported only one of the grades to the United States, but these imports were of sufficient purity to satisfy the requirements for all three grades, if necessary. The Commission found that potassium permanganate was a single like product, relying specifically on the fact that two of the grades were similarly priced throughout the period of investigation. Id. at 5-7. Similarly, the Commission did not distinguish among varying grades of a chemical product in Nitrile Rubber from Japan, Inv. No. 731-TA-384 (Final), USITC Pub. 2090 (1988), determining that all nitrile rubber is a copolymer of acrylonitrile and butadiene, and that variations in acrylonitrile merely enhance one of nitrile rubber's general properties. Id. at 4.

17/ Commissioner Cass notes, however, that end users of EMD perceive significant differences among different grades of the product. Eveready's post-conference brief at 26; Duracell's post-conference brief at 2. Though, technically, substitution among EMD products is not impossible, customers have strongly expressed preferences among them. Commissioner Cass notes that he may re-examine this issue in any subsequent investigations and will carefully examine the importance of customer perceptions and end use substitution in any such investigations to ensure that the like product definition is appropriate before he reaches a final determination.

also conclude that there is one domestic industry consisting of the U.S. producers of this like product. 18/ 19/

Related Parties

Under section 771(4)(B), when a producer is related to exporters or importers of the product under investigation, or is itself an importer of that product, the Commission may exclude such producer from the domestic industry in appropriate circumstances. 20/ Application of the related parties provision is within the Commission's discretion based upon the facts presented in each case. 21/

18/ Those companies are: Chemetals Inc. (a successor to Foote Mineral Co.), Eveready Battery Co. Inc., Kerr-McGee Chemical Corp., and Rayovac Corp. Report at A-16.

19/ The Commission's practice is to include within the domestic industry all domestic production of the like product whether it is captively consumed or sold in the open market unless otherwise excluded under the related parties provision. Industrial Phosphoric Acid from Belgium and Israel, Inv. No. 731-TA-365 and 366 (Final) and Inv. No. 701-TA-286 (Final), USITC Pub. 2000 at 7-8 (1987); Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Invs. Nos. 731-TA-367-370 (Final), USITC Pub. 2046 (1987); Iron Ore Pellets from Brazil, Inv. No. 701-TA-235 (Final), USITC Pub. 1880 at 5-6 (1986); Titanium Sponge from Japan and the United Kingdom, Inv. Nos. 731-TA-161 and 162 (Final), USITC Pub. 1600 (1984). We have recognized, however, that "alleged unfairly traded imports may not affect open-market producers and integrated producers in the same way," and we have analyzed issues of material injury and causation with respect to both open market producers and the domestic industry as a whole. Thermostatically Controlled Appliance Plugs and Probe Thermostats Therefor from Canada, Hong Kong, Japan, Malaysia, and Taiwan, Inv. Nos. 731-TA-400-404 (Preliminary) and Inv. Nos. 701-TA-290-292 (Preliminary), USITC Pub. 2087 at 12-13 (June 1988); Industrial Phosphoric Acid from Belgium and Israel, supra. Due to the absence of separate income and loss data on EMD production from Eveready the Commission was only able to consider the alleged LTFV imports' effects upon the financial condition of the
domestic industry segment producing primarily for the open market. We will attempt to secure separate profit and loss data on EMD production from Eveready in any final investigations.

20/ 19 U.S.C. § 1677(4)(B).

21/ Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (C.I.T. 1987).

The Commission generally applies a two-step analysis under the related parties provision. The Commission considers first whether the company qualifies as a related party under section 771(4)(B), and second, whether in view of the producer's related status, there are appropriate circumstances for excluding the company in question from the domestic industry. 22/ The Commission has examined three factors in deciding whether appropriate circumstances exist for excluding related parties. Those factors are:

> (1) the percentage of domestic production attributable to the importing producer;
> (2) the reasons that the U.S. producer has decided to import the product subject to the investigation, i.e., whether the firm benefits from the LTFV sales or subsidies 23/--or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and
> (3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. 24/

As we have stated previously, the related parties provision enables us to avoid any distortion in the aggregate data in the domestic industry that might

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22/ See e.g., Color Television Receivers from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 at 17 (1984).
23/ Empire Plow, 675 F. Supp at 1353-54.
24/ See, e.g., Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 at 11-13 (1986). If the exclusion of related producers would necessarily exclude or distort economic data of considerable significance to, or determinative of, an accurate picture of the domestic industry as a whole, exclusion of the related party would not be appropriate. See also Certain Table Wine from France and Italy, Inv. Nos. 701-TA-210 and 211 and 731-TA-167 and 168 (Preliminary), USITC Pub. 1502 at 10-12 (1984).

result from including related parties whose operations are shielded from the effect of the imports. 25/

Eveready, a domestic producer of EMD, also imports the merchandise under investigation. 26/ As such, Eveready is a "related party" within the meaning of the statute. Petitioners have urged the Commission to exclude Eveready as a related party. 27/ Resolution of the related party issue, however, is complicated by the fact that Eveready is vertically integrated and sells none of its captively produced EMD on the open market. 28/ Eveready's decision to consume all of its EMD internally obscures the degree to which captive production is affected by the subject imports. 29/

As a second and related issue, Eveready has stated that its decision to rebuild its EMD manufacturing facility at Marietta, Ohio, which was partially destroyed by fire in April 1987, "was not made without considering all supply and demand conditions." 30/ Eveready also argues that its imports from Japan are explained by its need temporarily to replace the output no longer

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25/ Granular Polytetrafluoroethylene Resin from Italy and Japan, Inv. Nos. 731-TA-385 and 386 (Preliminary), USITC Pub. 2043 at 9-11 (1987). See also Erasable Programmable Read Only Memories from Japan, Inv. No. 731-TA-288 (Final), USITC Pub. 1927 at 12-13 (1986); Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 at 10-13 (1986).

26/ Eveready post-conference brief at 9.

27/ Petitioners also requested that Rayovac be excluded as a related party, but due to confidential information in the record, we determine that Rayovac should not be excluded from the domestic industry under the related parties provision.

28/ Report at A-12.

29/ In a final investigation we will seek additional financial information relating to the profitability of Eveready's EMD operation.

30/ Eveready's post-conference brief at 28-29; Conference Transcript (Tr.) at 143-146.

available from its burned facility. To the extent that the price for alkaline EMD meeting Eveready's standards was set by the subject imports, the size of Eveready's investment in rebuilding its captive Marietta plant may have been influenced by existing prices of these imports. 31/ Eveready did not explain its decision to rebuild its plant to the selected scale. Eveready's decision to rebuild its plant may indicate a healthy domestic industry; on the other hand, its decision with respect to the scale of its new plant may indicate a response to import prices. 32/ We will seek further information on this issue should this matter return for a final investigation.

Given the information available at this stage of the investigation, we find that excluding the captive EMD producers would skew the data on the domestic industry. Accordingly, we have determined, for purposes of these preliminary investigations, not to exclude Eveready from the domestic industry as a related party.

Condition of the domestic industry

In assessing the condition of the domestic industry, the Commission considers, among other factors, production, capacity, capacity utilization, shipments, inventories, employment, wages, sales, and profitability. 33/ The period of the Commission's investigations covers the years 1985 through

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31/ See Tr. at 144-145.
32/ Petitioners argue that the industry is characterized by economies of scale and declining unit costs. See Tr. at 79; KMCC post-conference brief at 22.
33/ 19 U.S.C. § 1677(7)(C)(iii).

the first quarter of 1988. [34/] There is, however, a clear lack of comparability between any two years within this period due to major changes in the U.S. EMD market. In 1985, KMCC converted to titanium anodes in order to become competitive in the alkaline EMD market. In 1986, Foote/Chemetals entered into commercial EMD production and Rayovac also converted to titanium anode EMD production. Finally, in April 1987, the cell room at Eveready's Marietta, Ohio plant was destroyed by fire, eliminating Eveready's EMD production to date. [35/] [36/]

Given these limitations on the data, total U.S. apparent consumption of EMD was 41.5 thousand tons valued at $56.7 million in 1985, rose to 45.4 thousand tons valued at $57.0 million in 1986, and then fell to 44.3 thousand tons valued at $54.4 million in 1987. Apparent consumption for the interim period January-March 1988 was 11.9 thousand tons valued at $13.7 million compared to 10.6 thousand tons valued at $12.9 million in interim 1987. [37/]

Domestic production increased in 1986, decreased in 1987 and decreased again in January-March 1988 as compared with the corresponding period of 1987. [38/] Capacity to produce EMD rose in 1986, then declined in 1987, and

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34/ Much of the information regarding the condition of the domestic EMD industry is confidential and, therefore, can only be discussed in general terms.

35/ Report at A-16.

36/ Over the period of these investigations, prices steadily fell in the U.S. EMD market. Foote/Chemetals' experience in entering the U.S. EMD industry, however, reflects the unsettled condition of the industry. Foote's decision to enter was based upon prevailing market conditions, but when faced with falling prices in 1986, Foote decided to exit the EMD industry, selling its plant to Chemetals at less than the original plant conversion cost. Chemetals' decision to purchase Foote's EMD assets was similarly based upon market conditions at the time of sale, but prices have continued to fall in 1987 and 1988.

37/ Report at A-10, table 1.

continued declining in January-March 1988 as compared with interim 1987. 39/ Capacity utilization increased in 1986 but then decreased in 1987. 40/

From 1985 through interim 1988, domestic open-market shipments were up in both quantity and value terms, but the unit value per pound declined steadily. 41/ Prices generally declined over this period. U.S. inventories of EMD increased in 1986, declined in 1987 and further declined in interim 1988 as compared with interim 1987. 42/

The average number of workers engaged in producing EMD rose by 59.6 percent in 1986, fell by 15.4 percent in 1987, and fell again by 18.0 percent in January-March 1988 compared with interim 1987. 43/ The total number of hours and total wages paid to these workers followed the same trend as employment. 44/ Average hourly wages paid, however, rose steadily over the period. 45/

Net sales increased from 1985 to 1986, declined in 1987 and rose in interim 1988 as compared with interim 1987. 46/ The EMD industry reported aggregate operating losses in each period except interim 1988. The losses

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38/ Id. at A-17.
39/ Id. at A-16.
40/ Id. at A-18. We note that capacity utilization rates during the period covered by these investigations varied significantly by producer and by period.
41/ Id. at A-20.
42/ Id. at A-22.
43/ Id. at A-23.
44/ Id.
45/ Id.
46/ Id. at A-25. Net sales of petitioners * * *, however.

declined over the period, and operating loss as a percent of net sales fell over the period of investigation. 47/ While aggregate operating losses shrank somewhat from 1985 to 1987 despite lower unit values received per pound, we note that the portion of the industry for which we now have profit and loss data remained unprofitable through most of the period of investigation.

While some of the indicators suggest that the domestic EMD industry may be in good condition, in balance we find that the record supports a reasonable indication that the domestic industry is experiencing material injury.

Cumulation

Section 771(7)(C)(iv) of the Tariff and Trade Act of 1984 directs the Commission to cumulatively assess the volume and effect of imports from two or more countries if the imports are subject to investigation and if they compete with each other and with like products of the domestic industry in the United States market. 48/ To make this determination, the Commission has considered the following factors:

> (1) the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
>
> (2) the presence of sales or offers to sell, in the same geographical market, of imports from different countries and the domestic like product;

47/ Id.
48/ Section 612(a)(2)(A) of the Trade and Tariff Act of 1984, amending the Tariff Act of 1930, as section 771(7)(C)(iv), 19 U.S.C. § 1677(7)(C)(iv).

> (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
>
> (4) whether the imports are simultaneously present in the market. 49/

No single factor is determinative, and the list of factors is not exclusive.

Respondent Tosoh argued that EMD imports from Greece should not be assessed on a cumulated basis with imports from Ireland or Japan because graphite anode EMD, which is produced at the Tosoh Hellas (Greek) facility, does not compete with titanium anode EMD, which is imported from Ireland and Japan. 50/ Tosoh, in essence, asserted that: (1) graphite anode EMD is inferior to and noncompetitive with titanium anode EMD; (2) Tosoh Hellas EMD is graphite EMD; therefore (3) Tosoh Hellas' EMD does not compete with imported or domestic titanium anode EMD.

Confidential evidence on the record, however, does not confirm Tosoh's major premise that all graphite anode EMD is inferior to titanium anode EMD. Tosoh Hellas EMD is at least competitive with some grades of titanium EMD, both imported and domestic.

Respondent Mitsui argued that its imports of titanium anode EMD from Mitsui Ireland should not be cumulated with imports from Japan and Greece because the Irish product is not fungible with the Mitsui Japan product. The

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49/ Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Inv. Nos. 303-TA-19 and 20 and Inv. Nos. 731-TA-391-399 (Preliminary), USITC Pub. 2083 at 30-31 (May 1988).

50/ Tosoh post-conference brief at 29-35.

issue, however, is not simply whether Mitsui Ireland and Mitsui Japan EMD are fungible. 51/ Based in part upon confidential rankings in the record, the Commission finds that EMD from Ireland competes with imports from Greece and Japan and with the domestic like product.

Finally, the Commission recognizes that parent companies located in Japan control the production and marketing of the products from Greece and Ireland. Moreover, both imported and domestic EMD move through common or similar channels of distribution and are sold directly to end users. 52/ Accordingly, we conclude for purposes of these preliminary investigations, that we must cumulatively assess the volume and price effects of the allegedly LTFV imports of EMD from Greece, Ireland and Japan.

Reasonable indication of material injury by reason of allegedly LTFV imports from Greece, Ireland and Japan

Under 19 U.S.C. § 1673(b)(a), the Commission must determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of imports. 53/ In determining whether the domestic industry is materially injured "by reason of" LTFV imports from Greece, Ireland, and Japan, the Commission considers, among

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51/ We note that Mitsui Ireland EMD was present in the U.S. market in 1985 through 1987, but due to Eveready's disqualification of Mitsui Ireland EMD there have been no imports of EMD from Ireland in the first quarter of 1988. See Mitsui post-conference brief at 34.
52/ Report at A-15. EMD producers in Greece, Ireland and Japan market their product through trading companies located in the United States. Id.
53/ See Hercules, Inc. v. United States, 673 F. Supp. 454, 479-80, 481-82 (C.I.T. 1987).

other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 54/ The Commission also takes into account any information demonstrating possible alternative causes of injury to the domestic industry, 55/ but it may not weigh causes. 56/

Both market penetration and the absolute volume of imports decreased in 1986, but increased in 1987, and increased again in interim 1988 as compared with interim 1987 levels. 57/

Petitioners assert that a reasonable indication exists that they have been materially injured by reason of the alleged LTFV imports of EMD in that every price reduction in the U.S. EMD market during the period of investigation was led by the Japanese producers and their affiliates. Although the Commission is not persuaded that the Japanese producers led all price reductions, based upon confidential accounts of the bidding on several

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54/ 19 U.S.C. § 1677(7)(B).
55/ See S. Rep. No. 249, 96th Cong., 1st Sess. 58 (1979); 19 C.F.R. § 202.27 ("Standard for determination").
56/ "Current law does not . . . contemplate that the effects from the subsidized [or LTFV] imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong., 1st Sess. 57-58, 74 (1979).
57/ Report at A-40, A-45.

significant EMD contracts, the Commission finds that there is a reasonable indication that the subject imports were a factor in depressing or suppressing EMD prices. 58/

Evidence in the record suggests that the presence of imports in the domestic market had at least some influence over the pricing behavior of domestic producers during the period of investigation. Moreover, it is important to note that the U.S. EMD industry is characterized by long-term contracts of up to 3 years and a lengthy battery qualification process, which make bidding dynamics very important in determining the "market" price for EMD. For example, in 1984, Duracell entered into a three-year contract with Foote, in which Duracell agreed to purchase Foote's entire EMD production in 1986 and a specified amount of EMD in 1987 and 1988. The contract provides for a sale price no higher than the prevailing market price for comparable products over the next year. Thus, the price that petitioner Chemetals receives for its EMD from Duracell is tied directly to bids from other EMD suppliers in the market, which includes foreign suppliers. Thus, the record as a whole provides a reasonable indication that the subject imports, by virtue of their role in the domestic bidding process, were a cause of falling U.S. EMD prices.

Respondents Tosoh and Mitsui have argued that any injury to the domestic industry was caused by the U.S. producers' entry into the alkaline EMD market, which added domestic supply in a market with relatively stable demand and

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58/ We also note, however, that throughout the period of these investigations, imports generally oversold the domestic like product. Domestic pricing data will be explored further in any final investigations.

resulted in a glut of EMD with concomitant declines in EMD prices. 59/ While increased U.S. productive capacity may have contributed to depressing prices in the United States, the subject imports increased U.S. EMD purchasers' leverage in negotiating price reductions. The record reasonably indicates that the subject imports were a cause in the decline of U.S. prices. The Commission does not find respondents' arguments that there is no reasonable indication of material injury by reason of the subject imports to be persuasive on the record before it. The causation arguments will be reexamined in light of the record developed in any final investigations.

Finally, Eveready's claim that its EMD purchase decisions were motivated by quality concerns alone is central to these investigations and will be further examined in any final investigations. Eveready has presented details of its purchase decisions which indicate that its purchases of EMD during the period of investigation may not have been sensitive to price. 60/ Although the imported EMD may have been of higher quality, there is generally a trade-off between price and quality.

Eveready unequivocally claims that one domestic producer, its captive Marietta plant, will produce top quality EMD that can replace alleged LTFV imported EMD in Eveready batteries. 61/ The scale of Eveready's investment in rebuilding its Marietta, Ohio plant may provide evidence of whether the

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59/ Tosoh post-conference brief at 35-36; Mitsui post-conference brief at 25-26.

60/ Other U.S. purchasers of EMD, however, have found the imported and domestic EMD to be of comparable quality. Duracell post-conference brief at 10.

61/ Eveready post-conference brief at 24.

domestic EMD industry is suffering injury by reason of the subject imports. [62/] The extent to which Eveready's investment in its captive production depended upon the imported EMD [63/] and the degree to which imports may have displaced domestic captive capacity, will be further explored in any final investigations.

Conclusion

For all of the reasons set forth above, we determine that there is a reasonable indication that the domestic industry producing electrolytic manganese dioxide is materially injured by reason of alleged LTFV imports from Greece, Ireland, and Japan.

62/ See 19 U.S.C. § 1677(7)(C)(iii)(III).
63/ Tr. at 144-145.

ADDITIONAL VIEWS OF
VICE CHAIRMAN ANNE E. BRUNSDALE,
COMMISSIONER SUSAN LIEBELER, AND
COMMISSIONER RONALD A. CASS

Electrolytic Manganese Dioxide from Japan, Ireland, and Greece

Inv. Nos. 731-TA-406 - 408

July 15, 1988

We join the Commission's unanimous preliminary determination that, based on the best information available to us at this time, there is a reasonable indication that an industry in the United States has been materially injured by reason of the import of electrolytic manganese dioxide (EMD) allegedly sold at less than fair value (LTFV). In reaching this determination, we admit that the present record suggests only weakly that an industry in the United States has been injured "by reason of" the alleged LTFV imports. Given the weakness of that showing, we believe that additional attention to the standard governing our determination and its application in this case is required.

The Standard Governing Evaluation of the Evidence Gathered during the Preliminary Investigation

When making a preliminary determination in a Title VII case, the Commission must consider the same factors it considers when making a final determination. These factors include the volume of the alleged LTFV imports subject to investigation, the effect of those imports on the domestic price of the product, and the impact of the

imports on domestic producers of the like product.1/ In a final determination, the Commission must decide whether a domestic industry has in fact suffered material injury or threat of material injury by reason of LTFV imports; in a preliminary determination, the Commission reviews the record developed up to that point to determine whether "there is a reasonable indication that" a domestic industry has been materially injured or threatened with material injury by reason of the imports under investigation.2/

In making its preliminary determinations, the Commission has adopted a two-part test to determine whether "there is a reasonable indication that" the requisite material injury by reason of the alleged LTFV imports has occurred. The Commission will make an affirmative determination regarding the reasonable indication of material injury at the preliminary stage of the investigation unless (1) there is clear and convincing evidence of the absence of such material injury or threat of such injury, and (2) it is unlikely that evidence of such injury would be developed in a final investigation.3/ The U.S. Court of Appeals for the Federal Circuit has found this approach permissible under the governing statute.4/

While it has approved our general standard, the Federal Circuit has not ruled on several issues raised by this approach,

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1/ See 19 U.S.C. 1677(7)(B).
2/ See 19 U.S.C. 1673b(b) 1673d.
3/ See, e.g., Top-of-the-Stove Stainless Steel Cooking Ware from Korea and Taiwan, Inv. No. 731-TA-304 - 305 (Preliminary), USITC Pub. 1820 (1986); Low-Fuming Brazing Copper Wire and Rod from France, New Zealand and South Africa, Inv. Nos. 701-TA-237 and 731-TA-247 (Preliminary), USITC Pub. 1673 (1985).
4/ American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

including the criteria by which the Commission is to evaluate the evidence, the relative importance of the two parts of the analysis, and the possibility that a different standard might be permissible or more appropriate in certain circumstances.5/ The Federal Circuit, when approving the Commission's practice in American Lamb, provided guidance for our consideration of these issues and our treatment of preliminary determinations in general. First, the court noted that the preliminary determination procedure minimizes the institution of unnecessary final investigations, with their attendant costs and disruptions to trade.6/ Second, the court approved the Commission's practice of weighing the evidence on the record at the preliminary stage of the investigation to determine whether the statutory standard for institution of a final investigation has been met.7/

We should apply the preliminary standard with these instructions in mind. The Commission should not reach negative determinations in preliminary cases solely when a realistic prospect of an affirmative final determination cannot be found. The Commission, rather, should reach negative determinations when

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5/ In a recent decision, the Court of International trade referred to the two-part test approved in American Lamb as a "requirement." Yuasa-General Battery Corp. v. United States, Slip op. No. 88-89 (July 13, 1988). The Court's decision, however, does not indicate whether the standard must be applied in all cases, or whether the standard was required in that case because of its adoption by the Commission during the administrative proceedings. See id., Slip op. at 5 n.2 ("Defendants' memorandum states . . . that '[t]here is no question in this case' that this is the standard applicable") (emphasis added).

6/ See American Lamb, supra, 785 F.2d at 1002-03, citing S. Rep. No. 1298, 93d Cong., 2d Sess. 171.

7/ Id. at 1003.

the evidence now on the record on balance does not lend enough support to the Petitioner's claims to provide at least a colorable basis for an affirmative determination and when the relevant information that remains to be gathered does not leave open the prospect that any judgment made on the current record well might be changed at the final determination stage.

Accordingly, the Commission's two-part preliminary standard frames complementary issues. Not only does the likelihood that additional relevant evidence will arise during a final investigation diminish as the data collected during the preliminary phase of the investigation approaches a complete picture of the relevant industry, but also the evidence relating to material injury (either affirmative or negative) becomes more "clear and convincing" as the record becomes more complete.

Thus, the question in each case is not whether the record could be more complete, but how likely it is that the missing evidence will affect the outcome of a final determination. Thus, the Commission must assess (1) whether the evidence that might be obtained during a final investigation is reasonably probative of one of the statutory factors that underlie our material injury analysis;8/ and (2) what weight that anticipated evidence would carry in light of the evidence already available on the record. If the additional evidence expected from a final investigation plainly would be adverse to the Petitioner (as, for instance, where missing information on domestic production would reduce the market share of

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8/ See 19 U.S.C. 1677(7)(B), (C).

the subject imports, thereby weakening the likely causal relation the imports bear to adverse economic data)9/ or if the evidence, even though favorable to the Petitioner, would not outweigh the contrary evidence already on the record, then the evidence may be found to be clear and convincing that no material injury has occurred by reason of the alleged LTFV imports. In such instances, we are constrained by Commission practice and the Federal Circuit's admonitions to issue a negative determination.10/

The Reasonable Indication of Material Injury in This Case

In the instant case, one might at first blush conclude that a negative determination at this preliminary stage is appropriate under the applicable standard. We have received almost all of the relevant data that the Commission can expect from a final investigation.11/ The evidence indicates generally that U.S.

9/ In this respect, the Commission also may evaluate the likelihood that the evidence developed during a final investigation will or will not actually support the proposition as expected. If the evidence already on the record indicates that it is extremely unlikely that the evidence produced in a final investigation will support a certain proposition, then the Commission may exclude the mere possibility of a surprise result. See American Lamb, supra, 785 F.2d at 999-1000 (rejecting the Court of International Trade's view that the mere possibility that evidence developed in a final investigation is sufficient to support an affirmative preliminary determination).

10/ An example of this procedure was the Commission's negative preliminary determination in Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, Inv. No. 731-TA-289(A)-291(A) (Preliminary), USITC Pub. 1795 (1986), in which the Commission rejected Petitioners' arguments regarding the price effect of alleged LTFV imports on the ground that gross profit margins in the domestic industry were increasing.

11/ This is the result of the relatively small size of the industry, consisting of two domestic commercial producers of EMD,

(continued...)

producers' domestic commercial shipments increased substantially from 1985 through 1987, and that EMD imports from Japan, Greece, and Ireland declined in 1986 but then increased in 1987 (principally because of one significant purchase).12/ The profitability of domestic production fluctuated during the period of investigation, but overall the domestic industry was much more profitable at the end of the period than at the beginning (or, at least, its losses declined significantly).13/ The data show an increase in domestic employment in 1986 and a decrease in 1987.14/ Domestic producers' inventories as a percentage of their total domestic shipments during the preceding period declined by a small amount overall.15/ On a generally similar record, the Commission has reached a negative preliminary determination in the past and that result has been upheld by the Court of International Trade.16/

11/(...continued)
three major domestic consumers of EMD (two of which are also captive producers), and a handful of relevant foreign producers and domestic importers. Furthermore, we are aided in our analysis by the fact that the only substantial use for EMD is in the manufacture of dry cell batteries and by the fact that sales of EMD generally occur on a long-term contract basis. We are thus able to analyze the industry on a contract-by-contract basis.

12/ Report at A-42-45. The details of that purchase indicate that it was not necessarily based on the relative prices of the domestic EMD and the alleged LTFV imports of EMD.

13/ Id. at A-25.

14/ Id. at A-23. The 1985-86 increase was principally the result of Petitioner Chemetals' entry into the domestic industry. The subsequent decrease was the result of a fire at Eveready's production facility. Id. at A-23.

15/ Id. at A-22.

16/ Thin Sheet Glass from Switzerland, Belgium, and the Federal Republic of Germany, Inv. Nos. 731-TA-127, 128, and 129 (Preliminary), USITC Pub. 1376 (1983), aff'd, Jeannette Sheet Glass Corp. v. United States, 654 F.Supp. 179 (1987), appeal dismissed.

The record in the instant investigation, however, contains some important uncertainties or gaps in the evidence, notably regarding the relative prices of the domestic EMD and the alleged LTFV imports, the similarity of the products, and the effect of the alleged unfair pricing of the imports on the imports' prices and sales volume in the United States. The current record information in these categories differs both in quantity and quality.

With regard to pricing data, there is some evidence that is relatively complete but adverse to Petitioners, and there is other evidence that is incomplete and ambiguous but could support the Petitioners. The Tariff Act directs the Commission to consider whether (1) there has been significant price undercutting by the imported merchandise as compared with the price of the domestic like product, and (2) whether the effect of the imports has been to depress the price of the domestic like product or prevent price increases that otherwise would have occurred.17/ On the first of these issues, the record is clear. There is no material, probative evidence of a pattern of price undercutting in the domestic EMD market and, given the reasonably complete record of the transactions in EMD during the period of the investigation, no significant likelihood of such evidence arising in a final investigation.

The record is less clear, however, on the price effect of the alleged LTFV imports of EMD. The prices of the domestic EMD and the imported EMD declined substantially during the period of the

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17/ 19 U.S.C. 1677(7)(C)(ii).

investigation. The record does not reveal the cause of the decline. For example, and by way of illustration only, the record contains very little information on alternate sources of imported EMD, on whether a world market exists in EMD, and on whether the decline in the U.S. price of EMD merely reflects a world market trend. We are thus unable to determine on this record whether the existence of the alleged LTFV imports drove down the domestic price, or whether the domestic manufacturers of EMD merely anticipated that decline in order to maintain their market share. The Commission on several occasions has indicated that such information is material to the issue of whether an industry in the United States is materially injured by reason of LTFV imports.18/ Information that might be gathered in a final investigation on the existence and state of a world market in EMD and/or on other possible explanations for the decline in the domestic price of EMD could be probative of this issue, and thus critical to the Commission's determination of whether a domestic industry is materially injured by reason of the imports.

Similarly, the relationship between the imported and domestic products is critical to assessing price effects, as is the manner

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18/ See, e.g., Erasable Programmable Read Only Memories from Japan, 731-TA-288 (Preliminary), USITC Pub. 1778 (1985) at 21 ("The information presently before the Commission suggests that the aggressive pricing of the allegedly LTFV imports has contributed to the dramatic downward price spiral. Thus, we conclude that there is a reasonable indication of material injury by reason of the allegedly LTFV imports from Japan"); Offshore Platform Jackets and Piles from the Republic of Korea and Japan, Inv. Nos. 731-TA-259 - 260 (Preliminary), USITC Pub. 1708 (1985) at 12 (noting that the existence of the alleged LTFV imports may have had a depressive effect on the bids submitted by United States manufacturers).

in which the market for EMD responds to changes in the price of EMD. The record is incomplete on both of these points. Thus, for instance, Eveready contends that the domestic and imported EMD differ significantly in quality. This point is pressed particularly with respect to alkaline-grade EMD from Japan.19/ However, the domestic like product and the Japanese product are at least somewhat substitutable, as evidenced by Eveready's purchases from domestic sources and statements in the record regarding the products' relative quality.20/ Moreover, it is unclear how closely related the prices are for EMD of different quality and of different grades, given the apparently substantial competition between batteries in which EMD is used.21/ The same argument applies to claims by Tosoh and Mitsui that their Greek-produced and Irish-produced EMD are distinguishable from U.S.-produced EMD.22/ The information on these issues should be developed further in any final investigation.

We also should have better information on dumping margins in any final investigation.23/ The only information on margins now

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19/ Post Conference Brief of Eveready Battery Co. at 19-21.
20/ See Post Conference Brief of Petitioner Chemetals, Inc., at 34. As discussed in the Views of the Commission in this case, the relative quality of the EMD from different sources is a controversy which the Commission will seek to resolve during a final investigation in this matter.
21/ See Post Conference Brief of Kerr-McGee Chemical Corp. at 13. Respondents rebut this point by submitting evidence as to the technical differences between alkaline and zinc chloride batteries, not the competition between them. See, e.g., Post Conference Brief of Tosoh Corp. at 10.
22/ See Post Conference Brief of Tosoh Corp. at 4.
23/ The Court of International Trade has approved our consideration of dumping margins. See Hyundai Pipe Co. v. U.S. International Trade Commission, Slip Op. No. 87-18 at 5 (February 23, 1987).

available appears questionable. Petitioners allege very high dumping margins in this case based principally on price comparisons.24/ The highest alleged margins attach to exports from Japan. Most of the amount by which sales in Japan exceed those in the United States allegedly arises from sales in Japan far above the foreign producers' cost of production.25/ A substantial portion of the amount, however, derives from sales in the United States alleged to be below the foreign producers' costs of production.

The Department of Commerce, of course, must determine what the actual dumping margins, if any, are. But the Petitioner's allegation of below cost sales in the United States seems improbable in light of other information in the record. The Commission Staff Report indicates that the foreign producers are generally selling their products in the U.S. market at prices above those charged by domestic companies for similar products.26/ If this information and the Petitioner's assertions are both true, then the Japanese cost of production is substantially in excess of that of U.S. producers -- well above the prices at which the Japanese are selling domestic EMD in the U.S. market. This inference is questionable, given that the record provides some indication that the opposite is true. Chemetals only began

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24/ Post-Conference Brief of Kerr-McGee Chemical Corp. ("KMCC"), at 2.
25/ Id.
26/ Report at A-48. Petitioners declare that all EMD produced using titanium anodes are essentially identical to each other. KMCC Brief at 23.

producing in late 1985, within the period of investigation27/ and has apparently borne substantial start-up expenses,28/ while KMCC switched its production process to using titanium anodes in 1985,29/ again within the period of investigation. It is difficult to understand how it can be that foreign producers can have costs so far in excess of two much less experienced producers. The essential relationship of the costs of Japanese production to dumping margins alleged by Petitioners thus raises inherent questions of plausibility.

Nevertheless, it is not clear that the margins were improperly calculated. The alleged margins may be accurate and the Petitioners' assertions about exporters' production costs wrong. In a preliminary determination, when there is no explicit calculation by the Commerce Department, reliance on the margins presented by Petitioners is acceptable.

For the foregoing reasons, we believe that affirmative preliminary determinations are appropriate in these investigations and concur in the Commission's affirmative determination.

27/ Report at A-11.
28/ Report at A-27.
29/ Report at A-28, n. 2.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On May 31, 1988, an antidumping petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by Chemetals, Inc., Baltimore, MD, and Kerr-McGee Chemical Corp., Oklahoma City, OK. The petition alleges that an industry in the United States is materially injured, and is threatened with further material injury, by reason of imports from Greece, Ireland, and Japan of electrolytic manganese dioxide (EMD), 1/ provided for in item 419.44 of the Tariff Schedules of the United States (TSUS), 2/ that are alleged to be sold in the United States at less than fair value. 3/ Accordingly, effective May 31, 1988, the Commission instituted antidumping investigations on EMD from Greece (investigation No. 731-TA-406 (Preliminary)), Ireland (investigation No. 731-TA-407 (Preliminary)), and Japan (investigation No. 731-TA-408 (Preliminary)) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether or not there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigations 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 June 8, 1988 (53 F.R. 21530). 4/ The conference was held in Washington, DC, on June 20, 1988. 5/

Effective June 20, 1988, the U.S. Department of Commerce initiated antidumping investigations to determine whether the subject merchandise is being, or is likely to be, sold in the United States at LTFV (53 F.R. 24114, June 27, 1988). 6/

The Commission's briefing and vote on these investigations was held on July 11, 1988. The applicable statute directs that the Commission make its injury determinations within 45 days after receipt of a petition, or in this case by July 15, 1988. The Commission has conducted no previous investigations on EMD.

1/ EMD is manganese dioxide (MnO_2), refined in an electrolysis process. EMD is used principally in dry cell batteries.
2/ EMD is also provided for in subheading 2820.10.00 of the proposed Harmonized Tariff Schedule of the United States (USITC Publication 2030).
3/ Petitioners also allege the existence of critical circumstances (massive imports over a relatively short period) under sec. 733(e) of the act (19 U.S.C. § 1673b(e)) with respect to the subject imports.
4/ A copy of the Commission's notice of institution is presented in app. A.
5/ A list of the witnesses who appeared at the conference is presented in app. B.
6/ Copies of Commerce's notices are presented in app. C.

The Product

Description and uses

EMD, whether imported or domestically produced, is manganese dioxide (MnO_2) that has been refined in an electrolysis process. Virtually all EMD is used in dry cell batteries, 1/ which are able to discharge electrical current as a result of an electrochemical reaction between the manganese dioxide and an electrolyte such as zinc or potassium hydroxide. 2/ The preparation of EMD by electrolysis and the use of EMD in dry cell batteries were reported as early as 1918, 3/ but commercial use in dry cell batteries began in the 1940's. EMD accounts for only *** to *** percent of the cost of producing dry cell batteries, but its importance in the operating performance of such batteries is far greater. 4/

Physically, EMD is a black powder (or plate or chip that will be ground into powder) that has a gamma crystalline structure. The powder form is required for use in dry cell batteries. The gamma crystalline structure, as opposed to most other crystalline structures that manganese dioxide can assume, allows for the free transfer of hydrogen ions within the manganese dioxide crystal, thus resulting in the fullest possible utilization of the manganese dioxide in the production of electrical current within a dry cell battery.

There are two grades of EMD, alkaline grade and zinc chloride grade. Alkaline grade EMD, because of certain particle size, 5/ pH (acidity level), 6/ and shelf life, qualifies for use in the manufacture of alkaline

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1/ There are no other significant uses for EMD. Small amounts reportedly are used as a colorant in bricks, as an absorbent in certain instrument systems, and in * * *.

2/ In the United States, there are 5 popular sizes of ready-to-use consumer dry cell batteries: AAA, AA, 9-volt, C, and D. They are used in consumer items such as toys, flashlights, radios, photoflash units, and electronic games.

3/ G.D. Van Arsdale and C.B. Maier, Transaction Electrochemical Society, 33, 109 (1918).

4/ Meeting with representatives of Eveready, June 20, 1988.

5/ Alkaline grade EMD is less finely ground than zinc chloride grade EMD. The typical particle size distribution of alkaline grade EMD is 85 to 95 percent passing through a 200-mesh screen and 50 to 70 percent passing through a 325-mesh screen. The typical particle size for zinc chloride grade EMD is 90 to 100 percent passing through a 200-mesh screen and 70 to 95 percent passing through a 325-mesh screen. (Submission entitled "Testimony of Richard Wohletz at Administrative Conference, June 20, 1988," pp. 6, 7.)

6/ Alkaline grade EMD tends to have a lower pH (i.e., is more acidic) than zinc chloride grade EMD. The typical pH specification for alkaline grade EMD is 6 to 7; however, battery producers reportedly have used material ranging in pH from 4.5 to 8.5. The typical pH specification for EMD used in zinc chloride and also in Leclanche batteries is 7 to 8.5; however, battery producers reportedly have used material ranging in pH from 5 to 8.5. (Submission entitled "Testimony of Richard Wohletz at Administrative Conference, June 20, 1988," pp. 6, 7.)

batteries. 1/ Zinc chloride grade qualifies for use in zinc chloride batteries. The particle size (grind) and pH are achieved in the finishing process of the EMD and require no changes prior to the finishing step. All other properties of the two grades of EMD, including the moisture content, sulfate content, other metallic element content, purity, and crystalline structure, are essentially identical in the two grades. 2/ Within each of the two grades of EMD, there is relatively higher and lower quality EMD. Higher quality EMD tends to have a higher discharge rate and longer shelf life than lower quality EMD in the same grade.

The petitioners request that all EMD be treated as a single like product. They contend that all EMD is physically similar, has identical uses, is broadly interchangeable, and is manufactured in the same production facilities and by basically the same production process; any variations are a matter of customer preference. Respondents contend that alkaline grade EMD and zinc chloride grade EMD are separate "like" products that have different physical characteristics, are not interchangeable, are dedicated for use in different batteries, and are perceived as distinct products by customers. 3/ Moreover, respondents contend that EMD imported from Greece, Ireland, and Japan are quite different from one another in quality, characteristics, and uses.

Of the two major customers for EMD in the United States (Duracell USA and Eveready), Duracell considers EMD * * * to be of the highest quality, 4/ with EMD * * * to be of a lesser quality. 5/ Eveready has stated that it considers * * *. 6/ * * *. Of course, the quality of EMD is only one factor out of many that determine the quality of a finished battery.

1/ A discussion of the general types of dry cell batteries is presented later in this section of the report.

2/ Submission entitled "Testimony of Richard Wohletz at Administrative Conference, June 20, 1988," p. 6.

3/ Postconference briefs of Marks Murase & White, p. 5, and Weil, Gotshal and Manges, p. 3.

Counsel for Eveready Battery Co., Inc., a major U.S. purchaser of EMD, stated at the public conference that "Eveready cannot and does not use alkaline grade EMD interchangeably with zinc chloride grade EMD." (Transcript of the conference, p. 115.)

Duracell, the other major U.S. purchaser of EMD, * * *. * * * was asked * * * whether zinc chloride grade could be used in alkaline batteries, he said that * * *.

* * * said that the alkaline and zinc grades * * * are "different," principally in the particle size (grind). He said that * * * zinc chloride * * *.

4/ Duracell, in a recent assessment, reportedly rated Kerr-McGee EMD as the best when compared with "all available EMD in the world." (Statement of Richard Wohletz, Superintendent of Quality Control and Shipping, Henderson Plant, Kerr-McGee Chemical Corp., transcript of the public conference in these investigations, p. 13.)

5/ Confidential app. C to the postconference brief of Foley & Lardner, counsel for Duracell.

6/ Meeting with representatives of Eveready, June 20, 1988.

In addition to EMD, there are two other types of manganese dioxide, both of which are also used in dry cell batteries: natural manganese dioxide (NMD) and chemical manganese dioxide (CMD). NMD consists of certain naturally occurring manganese ore, selected because of its high MnO2 content, favorable electrochemical properties, and low content of impurities. The ore is often processed to remove impurities and to further improve its battery activity. NMD has a lower performance rate than EMD or CMD, and is sometimes blended with such synthetic manganese dioxide for increased performance. For approximately 80 years subsequent to the invention of the wet zinc/manganese dioxide primary cell (the ancestor of the present-day dry cell battery) by Georges Leclanche in the 1860's, NMD was the only type of manganese dioxide used in dry cell batteries; indeed, NMD is still the world's predominant source of manganese dioxide for batteries. However, its use is very small in the United States. NMD is not produced in the United States, only small amounts are imported, and NMD is not within the scope of these investigations.

CMD is chemically precipitated, battery-active manganese dioxide. It is generally produced * * *. The properties of CMD differ from EMD in three major respects: surface area, electrolyte absorption, and density. As a result, CMD generally exhibits lower discharge rates than EMD. 1/ Chuo Denki Kogyo Co., a Sumitomo-group company in Japan, hopes to commercialize by about 1990 a chemical manganese dioxide "comparable with, or superior to, electrolytic type in quality." 2/ * * *. * * *. CMD is not within the scope of these investigations.

There are three types of dry cell batteries: (1) the Leclanche ammonium chloride, or general purpose battery; (2) the zinc chloride, or heavy-duty battery; and (3) the alkaline battery. In 1987, 67 percent of EMD consumption in the United States was in the manufacture of alkaline batteries, 20 percent in zinc chloride batteries, and 12 percent in Leclanche batteries. 3/

The Leclanche battery is the oldest and least sophisticated of the three types. It is inferior in discharge rate, shelf life, and leak resistance to zinc chloride and alkaline batteries. Any battery grade manganese dioxide, including NMD, can be used in Leclanche batteries. In a Leclanche battery, the electrolyte is a solution of ammonium chloride and zinc chloride. The anode is zinc. Manganese dioxide is mixed with carbon to form the cathode. The Leclanche battery was the predominant battery used in the United States as recently as the 1950's, but has since been far surpassed by zinc chloride and especially by alkaline batteries. However, the Leclanche battery may still be the principal battery sold worldwide.

1/ Petition, p. 16.
2/ Japan Chemical Week, "Electrolytic Manganese Dioxide Upgrades Dry Cells," Feb. 26, 1987, p. 5.
3/ Petition, p. 14.

The zinc chloride battery has a higher discharge rate than the Leclanche battery, but also is more expensive to produce. In a zinc chloride battery, the electrolyte is made completely of zinc chloride. The anode is zinc. The cathode typically contains higher quality blends of manganese dioxide. Zinc chloride grade EMD is used in zinc chloride batteries; however, petitioners contend that it is not uncommon for battery producers to use manganese dioxide intended for alkaline batteries in zinc chloride or even in Leclanche batteries. 1/

The alkaline battery represents a significant improvement over the Leclanche battery and typically has a longer shelf life than a zinc chloride battery. The alkaline battery will only accept EMD (not NMD or CMD) and only alkaline grade EMD. In an alkaline battery, the cathode consists of a high-density, 100-percent blend of EMD and graphite. The electrolyte is concentrated potassium hydroxide; potassium hydroxide is very alkaline or "basic" (the opposite of acidic). The anode is composed of powdered amalgamated zinc.

Manufacturing process

All types and grades of EMD, whether imported or domestically produced, are produced by the same general process. There are three stages of EMD production: ore handling, electrolysis, and finishing.

Ore handling involves the preparation of manganese dioxide for electrolysis. The manganese ore 2/ is crushed and ground and then fed into reduction furnaces that convert manganese dioxide to the sulfuric-acid soluble manganous oxide (MnO) known as the reduced ore. The manganese is then "leached" from the reduced ore by having the reduced ore digested continuously in spent electrolyte and sulfuric acid. Next, the resulting manganese sulfate solution is purified to remove as much as possible such impurities as copper, nickel, cobalt, molybdenum, antimony, and arsenic (manganese dioxide for batteries should be essentially free of impurities that would deposit on a zinc anode). Iron may be added to aid in the removal of impurities. 3/

In electrolysis, the manganese sulfate solution is processed through a number of thickeners and filters and is then fed to the electrolytic cell room. The purified manganese sulfate is then metered to the electrolytic cells where hydrogen is liberated at carbon or lead cathodes and manganese dioxide is deposited on titanium or graphite anodes. The period of electrolysis lasts from 2 to 4 weeks.

1/ * * *.

2/ Manganese ore is relatively abundant in the earth's crust, but only certain manganese ore has the relative purity and other properties that make it suitable for use in the production of EMD. Principal sources for manganese ore used in the production of manganese dioxide include Gabon and Australia.

3/ Later removal of the iron is important because it would otherwise contaminate the product and affect efficiency in the electrolysis process, and because impurities such as arsenic and lead are coprecipitated when the iron is precipitated.

In the finishing process, the anodes are removed from the cell and are immersed in hot water to remove the electrolyte solution. The EMD deposit is then removed from the anodes, washed, and neutralized to remove traces of the electrolyte. Neutralization determines the final pH of the EMD. When the EMD is removed from the anodes and neutralized, it is in a plate or chip form, but it must be ground into a powder for use in batteries. Therefore, it is usually ground and sold as a powder by the EMD producers. Prior to shipment, the EMD is dried and packed according to customer specification.

The only major change in the production process for EMD during the past decade has been the switch by the major producers of quality EMD from graphite anodes to titanium anodes, which has significantly improved product quality. 1/ The major Japanese producers of EMD reportedly installed titanium anodes in the early 1980's. * * * Kerr-McGee installed titanium anodes in 1985, Rayovac did so in 1986, and Chemetals' predecessor (Foote Minerals Co.) installed titanium anodes when it converted its New Johnsonville, TN, manganese metal plant to an EMD plant in 1985. Tosoh Hellas A.I.C. reportedly uses graphite anodes and Mitsui Denman (Ireland) reportedly uses titanium anodes.

In addition to the conversion to titanium anodes, new process technology, "learning curve" experience, and better cell-room management have resulted in improvements in EMD performance.

U.S. tariff treatment

EMD is classified in TSUS item 419.44 and statistically reported under item 419.4420 of the Tariff Schedules of the United States Annotated, as supplemented (TSUSA). The most-favored-nation (MFN) (col. 1) rate of duty 2/ since January 1, 1987, applicable to imports of EMD from Greece, Ireland, Japan, and all other MFN countries, is 4.7 percent ad valorem. 3/ This duty rate does not apply to the Communist countries enumerated in TSUS general headnote 3(d), 4/ or to imports from countries that qualify for preferential

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1/ According to the petition, p. 21, the conversion to titanium anodes, which is still continuing, began in the early 1980's and resulted in an initial improvement of 2 to 3 percent in the discharge rate.

2/ The MFN rates of duty in rate col. 1 of the TSUS generally represent the final stage of the reductions granted in the Tokyo Round of the Multilateral Trade Negotiations.

3/ In addition, pursuant to the Omnibus Budget Reconciliation Act of 1986, a user fee (to cover the cost of the U.S. Customs Service's processing of imports) of 0.17 percent ad valorem on most imports is in effect. Also, in April 1988, in order to help finance Federal harbor maintenance, the United States began assessing a 0.04 percent fee on foreign cargo entering U.S. seaports.

4/ Col. 2 rates of duty apply to products of such countries, which currently include all Communist countries except the People's Republic of China, Hungary, Poland, and Yugoslavia, all four of which are eligible for MFN treatment. The col. 2 rate of duty for TSUS item 419.44 is 25 percent ad valorem.

tariff programs. 1/ EMD is provided for in subheading 2820.10.00 of the proposed Harmonized Tariff Schedule of the United States. 2/

Nature and Extent of Alleged Sales at LTFV

The petition alleges that EMD is being offered for sale and sold in the United States at LTFV. Alleged dumping margins are presented in the following tabulation:

Countries and exporters	Alleged margin of sales at LTFV (Percent)
Greece:	
Tosoh Hellas A.I.C.	115.95
Ireland:	
Mitsui Denman (Ireland) Ltd.	119.74
Japan:	
Mitsui Mining & Smelting Co., Ltd.	125.87
Tosoh Corp.	126.47
All other	126.17

Evidence provided in the petition for the allegations of sales at LTFV of EMD from Greece and Ireland consists of information on EMD produced and sold by Tosoh Hellas A.I.C. (the only producer of EMD in Greece) 3/ and by Mitsui Denman (Ireland) Ltd. (the only producer of EMD in Ireland). 4/ The U.S. price for EMD produced in both Greece and Ireland was calculated by using $*** per pound 5/ as a representative price and subtracting estimated total expenses and trading-company markup from the representative price. The foreign market value used by the petitioners for EMD produced in Greece and Ireland is the foreign market value of EMD produced by Mitsui Mining & Smelting Co., Ltd. and by Tosoh Corp. in Japan. The reasons that the

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1/ Preferential tariff programs include the Generalized System of Preferences (GSP), which affords nonreciprocal tariff preferences to developing countries to aid their economic development; the Caribbean Basin Economic Recovery Act (CBERA), which grants nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development; and the United States-Israel Free Trade Area Implementation Act, which applies to products of Israel.

2/ The Harmonized Commodity Description and Coding System, known as the Harmonized System or HS, is intended to serve as the single modern product nomenclature for use in classifying products for customs tariff, statistical, and transport purposes. Legislation to replace the TSUS with an HS-based tariff schedule known as the Harmonized Tariff Schedule of the United States is not yet law.

3/ Tosoh Hellas is a joint venture between Tosoh Corp., Tokyo, Japan (a producer of EMD in Japan), and Mitsubishi Corp. Tosoh Corp. owns *** percent of the joint venture and operates it.

4/ Mitsui Denman (Ireland) * * * subsidiary of Mitsui Mining & Smelting Co., Ltd., Tokyo, Japan.

5/ $*** per pound * * *.

petitioners use Japanese foreign market values as proxies for the Greek and Irish foreign market values are that (1) both Tosoh Hellas and Mitsui Denman are allegedly owned and controlled by multinational corporations that also own or control, directly or indirectly, EMD production facilities in Japan, and (2) sales in the home market by the Greek and Irish producers allegedly are either nonexistent or inadequate as a basis for comparison to sales of EMD in the United States. 1/ Accordingly, the petitioners request that the U.S. Department of Commerce apply the "special rule for multinational corporations" (the so-called "multinational provision") contained in section 773(d) of the Tariff Act of 1930 (19 U.S.C. § 1677b(d)), to calculate the foreign market value of EMD produced in Greece and Ireland. Application of the multinational provision is allegedly necessary to prevent Mitsui and Tosoh from effectively subsidizing low-priced sales to the United States from their affiliates in Greece and Ireland with their high-priced sales in their home market in Japan.

Evidence provided in the petition for the allegations of sales at LTFV of EMD from Japan consists of information on EMD produced and sold by Mitsui Mining & Smelting Co., Ltd., and by Tosoh Corp. The U.S. price for such EMD was calculated by using $*** per pound as a representative price and subtracting estimated total expenses and trading-company markup from the representative price. The foreign-market values for such EMD consist of calculations of the ex-factory value for sales in Japan.

Petitioners allege the existence of critical circumstances under section 733(e) of the Tariff Act of 1930 (19 U.S.C. § 1673b(e)) with respect to the subject imports. Petitioners allege that there has been a massive increase in U.S. imports of EMD beginning in the last half of 1987, and that manufacturers in Greece, Ireland, and Japan and the U.S. importers should have known that they were selling EMD in the United States at LTFV. Accordingly, petitioners contend that antidumping duties must be applied retroactively on LTFV imports. Pursuant to section 733(a)(e)(2) of the Act, any such retroactive application of antidumping duties on LTFV imports would apply to unliquidated entries of merchandise entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days before the date on which the suspension of liquidation is first ordered.

1/ The volume of Tosoh Hellas' home-market sales, *** short tons in 1987, is very small compared with its sales in third-country markets. Petitioners believe that the price of Tosoh Hellas' small home-market sales is below its cost of production. Petitioners also note that Tosoh Hellas' purchaser of EMD is Ralston Hellas, a subsidiary of Eveready, and prices between them could be or could become fictitious prices in the context of a trade dispute proceeding.

Mitsui Denman * * *. Petitioners believe that the foreign-market value of Mitsui Mining & Smelting Co., Ltd., in Japan is the proper basis for determining the foreign market value of EMD imported from Ireland.

The U.S. Market

The U.S. market for EMD is derived from the market for dry cell batteries, which is in turn derived from the market for consumer products such as toys, flashlights, etc., that use such batteries.

The U.S. market for EMD is essentially composed of the three major U.S. battery manufacturers (Duracell, Eveready, and Rayovac). 1/ The three firms accounted for approximately *** percent of total apparent U.S. consumption of EMD in 1987. 2/

Apparent U.S. consumption

Table 1 presents information obtained by the Commission on the apparent U.S. commercial consumption of EMD and on total apparent U.S. consumption (including captive consumption) of EMD. The data on apparent U.S. commercial consumption of EMD are composed of U.S. producers' reported domestic commercial shipments of EMD plus importers' domestic shipments. 3/ The data on total apparent U.S. consumption are composed of U.S. producers' reported domestic shipments (commercial and captive) of EMD plus importers' domestic shipments.

The quantity of total apparent U.S. consumption of EMD increased by 9.4 percent in 1986, decreased by 2.5 percent in 1987, and increased by 11.9 percent in January-March 1988 compared with the level in the corresponding period in the previous year. The quantity of apparent U.S. commercial consumption of EMD increased by *** percent in 1986, by *** percent in 1987, and by *** percent in January-March 1988 compared with the level in the corresponding period in the previous year.

U.S. producers

Four firms produced EMD in the United States during the period covered by these investigations. The four firms, their positions regarding the petition, and their shares of reported U.S. production of EMD in 1987, are presented in the following tabulation:

1/ According to the petition (p. 14), Eveready has about 50 percent, Duracell 35 percent, and smaller manufacturers (including Rayovac) about 15 percent of the primary consumer battery market (AAA, AA, 9-volt, D, and C sizes) in the United States.

2/ Duracell does not produce EMD, and must purchase all its EMD requirements in the commercial market. Eveready and Rayovac produce EMD in the United States and use their EMD in the captive production of batteries, but also purchase EMD in the commercial market.

3/ All imports of EMD are for resale in the commercial market or are commercial purchases for the importer's own use in the production of batteries.

Table 1
EMD: Apparent U.S. consumption, commercial and total, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	1988
	Quantity (short tons)				
U.S. producers' domestic commercial shipments	***	***	***	***	***
U.S. importers' domestic commercial shipments	***	***	***	***	***
U.S. importers' imports for own use	***	***	***	***	***
Subtotal, apparent commercial consumption	***	***	***	***	***
U.S. producers' domestic captive shipments	***	***	***	***	***
Total apparent U.S. consumption	41,543	45,446	44,307	10,617	11,881
	Value (1,000 dollars)				
U.S. producers' domestic commercial shipments	***	***	***	***	***
U.S. importers' domestic commercial shipments	***	***	***	***	***
U.S. importers' imports for own use	***	***	***	***	***
Subtotal, apparent commercial consumption	***	***	***	***	***
U.S. producers' domestic captive shipments	***	***	***	***	***
Total apparent U.S. consumption	56,664	57,004	54,445	12,861	13,740
	Unit value (per pound)				
U.S. producers' domestic commercial shipments	$***	$***	$***	$***	$***
U.S. importers' domestic commercial shipments	***	***	***	***	***
U.S. importers' imports for own use	***	***	***	***	***
Average, apparent commercial consumption	***	***	***	***	***
U.S. producers' domestic captive shipments	***	***	***	***	***
Average, apparent U.S. consumption	.68	.63	.61	.61	.58

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Producers	Position on the petition	Share of the quantity of U.S. production of EMD in 1987 (Percent)
Chemetals, Inc. 1/.....	Supports.....	***
Eveready Battery Co., Inc.	Opposes.....	2/***
Kerr-McGee Chemical Corp..	Supports.....	***
Rayovac Corp.....	* * *.....	***
Total.....		100.0

1/ Chemetals is a producer by virtue of its purchase of Foote Mineral Co.'s EMD plant in New Johnsonville, TN, on June 1, 1987.
2/ Eveready experienced a fire at its EMD plant in April 1987, and has not produced EMD since that time. Eveready * * *, accounting for *** percent of U.S. production.

* * * domestic producers of EMD support the petition. The *** producers accounted for *** percent of U.S. production of EMD in 1985, *** percent in 1986, *** percent in 1987, *** percent in January-March 1987, and *** percent in January-March 1988. Each of the four domestic producers is discussed below, beginning with the two petitioners.

Chemetals.--Chemetals, Inc., Baltimore, MD, a petitioner in these investigations, produces EMD at its plant in New Johnsonville, TN. 1/ The plant was purchased from Foote Mineral Co. on June 1, 1987. 2/ The plant had been a manganese metal plant until 1985, when it was converted to an EMD plant by Foote. Production of EMD began in November 1985. Full commercial production began in June 1986. The plant was shut down temporarily owing to excess inventory in September 1986.

As of * * *, Chemetals * * * by *** percent. It will * * * by * * *. 3/

Chemetals is wholly owned by Sadacem, S.A., Tertre, Belgium. Sadacem does not produce or export EMD. However, Sadacem produces and exports CMD, * * *.

Since Chemetals is not a producer of dry cell batteries, its EMD is produced entirely for sale in the commercial market.

Kerr-McGee.--Kerr-McGee Chemical Corp., Oklahoma City, OK, a petitioner in these investigations, produces EMD at its plant in Henderson, NV. The Henderson plant was converted to titanium anodes in 1985. Kerr-McGee Chemical Corp. is wholly owned by Kerr-McGee Corp., Oklahoma City, OK.

Since Kerr-McGee is not a producer of dry cell batteries, its EMD is produced entirely for sale in the commercial market. Kerr-McGee * * *.

1/ Chemetals * * *.
2/ Foote reportedly made the decision to sell the plant because a competing bid on EMD produced in Japan had depressed prices to a level that "drastically affected the (Foote's) return on investment." (Dwight Glover, EMD Product Manager, Chemetals, transcript of the conference, pp. 46, 47.)
3/ Postconference brief of Squire, Sanders & Dempsey, p. 15.

Eveready.--Eveready Battery Co., Inc., St. Louis, MO, produces EMD only for captive use in its production of batteries. Eveready is * * *. Eveready's * * *.

Eveready was sold by Union Carbide Corp. to Ralston Purina Co., St. Louis, MO, in 1986. Eveready is affiliated with Electro Manganes, LTDA, Sao Paulo, Brazil, a producer and exporter of EMD. Electro Manganes is *** percent owned by Eveready do Brasil Industria E Comercio, which in turn is wholly owned by Ralston Purina Overseas Battery Co.

The cell room of Eveready's sole EMD plant, located in Marietta, OH, was destroyed in a fire in April 1987. Accordingly, since that time Eveready has been forced to purchase its entire EMD requirements in the commercial market. Eveready is investing over $*** to rebuild and upgrade its Marietta facility in a manner consistent with technological developments, and expects the plant to be operational in the fall of 1988.

Rayovac.--Rayovac Corp., Materials Division, formerly known as ESB Materials Co., Covington, TN, produces EMD at its plant in Covington. 1/ * * * Rayovac's production of EMD is for captive use in the production of batteries; however, Rayovac has also sold * * * EMD in the commercial market. * * *. Rayovac * * *. * * *. * * *. 2/

U.S. importers

Six firms accounted for all known imports of EMD during the period covered by these investigations (table 2). The Commission sent its questionnaire to each of the 2 importers identified in the petition and also to 21 other firms that were identified by the U.S. Customs Service as having imported merchandise that was classified for statistical purposes under TSUSA 419.4420, i.e., the item under which EMD is classified. The two importers identified in the petition and four other importers provided data in response to the Commission's questionnaire. 3/ Of the remaining firms to which questionnaires were sent, virtually all responded that they did not import EMD (although they may have imported other types of manganese compounds), and the few that did not respond are known to have imported only very small quantities under TSUSA 419.4420. The six responding importers accounted for 99 percent, if not all, EMD imported into the United States during the period covered by the investigations. Each of the six importers is discussed below.

* * * * * * *

Mitsubishi.--Mitsubishi International Corp., New York, NY, is a wholly owned subsidiary of Mitsubishi Corp., Tokyo, Japan. Through Mitsubishi Corp., Mitsubishi International imports EMD produced in Japan by Tosoh Corp. 4/ In

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1/ Rayovac's Materials Division is wholly owned by Rayovac Corp., Madison, WI.
2/ According to * * *. * * * also said that if the * * *.
3/ In addition, * * *.
4/ Mitsubishi Corp. * * * EMD price. On the basis of this * * *, Mitsubishi Corp. then * * * customers.

Table 2
U.S. importers of EMD and their shares of the quantity of U.S. imports from the countries subject to these investigations and from all sources, 1987

Importer	Source of imports	Share of aggregate U.S. imports from Greece, Ireland, and Japan	Share of total U.S. imports
		Percent	Percent
* * *.....	* * *.....	***	***
* * *.....	* * *.....	***	***
Mitsubishi International.....	* * * 1/.....	***	***
Mitsui & Co.....	Ireland, Japan...	***	***
* * *.....	* * *.....	***	***
* * *.....	* * *.....	***	***
Total.....		100.0	100.0

1/ Mitsubishi imported * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

addition, Mitsubishi Corp. owns *** percent (and Tosoh Corp. owns *** percent) of a joint venture known as Tosoh Hellas A.I.C., Thessaloniki, Greece, a producer and exporter of EMD established in 1973 that began operation in 1976.

Mitsubishi International Corp. has imported EMD from Greece and from Japan during the period covered by these investigations. Its major U.S. customer * * * for its imported EMD is * * *. 1/ In addition, Mitsubishi supplies * * *. 2/

In its response to the Commission's questionnaire, Mitsubishi International Corp. indicated that * * *.

Mitsui.--Mitsui & Co. (U.S.A.), Inc., New York, NY, is a wholly owned subsidiary of Mitsui & Co., Ltd., Tokyo, Japan. Through Mitsui & Co, Ltd., Mitsui & Co. (U.S.A.) is related to Mitsui Denman (Ireland), the Irish producer and exporter of EMD. 3/

Mitsui & Co. (U.S.A.), Inc. imported EMD from Ireland and from Japan * * *. In its response to the Commission's questionnaire, Mitsui & Co. (U.S.A.) reported that * * *. Mitsui & Co. (U.S.A.), Inc.'s U.S. customers have been * * *. In addition, Mitsui & Co. (U.S.A.) supplies * * *.

* * * * * * *

1/ Mitsubishi International had supplied * * *. * * *.
2/ In its response to the Commission's questionnaire, Mitsubishi International stated that it * * *.
3/ Mitsui & Co., Ltd. holds *** percent of the equity of Mitsui (Denman) Ireland, and Mitsui & Co. (U.K.), Ltd. (which is wholly owned by Mitsui & Co., Ltd.) owns *** percent.

U.S. purchasers

As previously mentioned, Duracell, Eveready, and Rayovac account for the great bulk of purchases of EMD in the U.S. market. The three firms are the largest U.S. producers of dry cell batteries.

Duracell USA was wholly owned by Kraft, Inc., Glenview, IL, until June 1988, when a leveraged buyout set up by Kohlberg Kravis Robert & Co. in conjunction with Duracell's management resulted in the formation of a new company, Duracell Holdings Corp. Duracell is in opposition to the petition in these investigations.

Duracell's purchases of EMD are presented in table 3. Duracell required between *** and *** short tons of EMD in each of the calendar years 1985-87 for use in its production of batteries. In 1985, * * * of its EMD requirements were met by * * *. However, Duracell did not purchase any imports in either 1986 or 1987, and obtained its EMD from Chemetals and Kerr-McGee. In January-March 1988, most of its EMD requirements * * *.

Table 3
EMD: Duracell's purchases, 1985-87, January-March 1987, and January-March 1988

(Short tons)

Item	1985	1986	1987	January-March-- 1987	1988
*	*	*	*	*	*	*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Eveready's purchases of EMD are presented in table 4. Eveready required approximately *** short tons of EMD in each of the calendar years 1985-87 for use in its production of batteries. In each of the years 1985 and 1986, a large share (about *** percent) of its requirements were met by obtaining EMD from Eveready's production facility in Marietta, OH. * * * Eveready's EMD was * * *.

Table 4
EMD: Eveready's purchases, 1985-87, January-March 1987, and January-March 1988

(Short tons)

Item	1985	1986	1987	January-March-- 1987	1988
*	*	*	*	*	*	*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Subsequent to the April 1987 cell room fire at the Marietta facility, Eveready was forced to decrease its inventories and to purchase all its new EMD requirements in the commercial market. It asked for bids from * * * for EMD requirements. According to * * *, * * * purchase Japanese EMD for * * *. * * *, the great bulk of Eveready's commercial purchases in 1987 consisted of * * *. Eveready contends that EMD purchased in Japan is superior to any other EMD in quality and that Eveready's purchase decisions are based solely on quality considerations. 1/

Rayovac's purchases of EMD are presented in table 5. Rayovac obtains * * * of its EMD requirements from its EMD production facility in Covington, TN. * * *. * * *.

Table 5
EMD: Rayovac's purchases, 1/ 1985-87, January-March 1987, and January-March 1988

(Short tons)

Item	1985	1986	1987	January-March-- 1987	1988
*	*	*	*	*	*	*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Channels of distribution

Both imported and domestic EMD are sold through the same channels of distribution and are sold directly to end users. These end users, i.e., battery manufacturers, purchase EMD from sales representatives of the EMD producers and importers (the EMD producers in Greece, Ireland, and Japan use trading companies located in the United States to market their product). U.S. producers and importers reported that virtually all EMD was shipped directly to battery manufacturers.

A significant share of U.S. producers' total domestic shipments of EMD consists of intracompany transfers by Eveready and Rayovac. Such transfers accounted for *** percent of U.S. producers' total domestic shipments in 1985, *** percent in 1986, *** percent in 1987, *** percent in January-March 1987, and *** percent in January-March 1988. * * *.

1/ Postconference brief of Sidley & Austin, pp. 19-22.

Consideration of Alleged Material Injury

In order to gather data on the question of material injury to the U.S. industry producing EMD, questionnaires were sent to the four firms that produced EMD in the United States during any part of the period January 1, 1985, through March 31, 1988. All four firms provided responses to the Commission's questionnaire. Accordingly, the data appearing in this section of the report represent 100 percent of the U.S. industry producing EMD.

Data presented herein on the question of material injury are for 1985-87 and January-March of 1987 and 1988. However, there is a clear lack of comparability among the years and periods owing to developments such as the entry into commercial operation of the Foote/Chemetals EMD production facility in 1986, the conversion to titanium anodes * * * Kerr-McGee in 1985 and Rayovac in 1986, and the fire at Eveready's plant in April 1987.

U.S. capacity, production, and capacity utilization

Capacity.--U.S. producers' average-for-period capacity to produce EMD increased by *** percent in 1986, decreased by *** percent in 1987 to a level *** percent above the level of 1985, and decreased by *** percent in January-March 1988 compared with the level of capacity in the corresponding period of the previous year (table 6). For purposes of comparison, aggregate data on the four producers' average-for-period and end-of-period capacity are presented in the following tabulation (in short tons):

Year or period	Average-for-period capacity	End-of-period capacity
1985	***	***
1986	***	***
1987	***	***
January-March:		
1987	***	***
1988	***	***

The reported capacity increase in 1986 is * * * to the entry of the Foote/Chemetals EMD plant in New Johnsonville, TN. The reported capacity decreases in 1987 and in January-March 1988 are * * * to the loss of capacity resulting from the fire at Eveready's EMD production facility in Marietta, OH.

* * * and * * * have the largest capacities to produce EMD. * * * annual capacity was * * *. * * * annual capacity was * * *. * * * reported * * *, * * * a result of increases in efficiency and not a result of the addition of new production equipment. Kerr-McGee could increase its overall capacity by 3,000 short tons by making a modest capital expenditure for new grinding equipment in its cell plate finishing section, but reportedly only will do so when it feels that "market conditions for EMD warrant." 1/

1/ Industrial Minerals, May 1987, p. 17, and transcript of the public conference, p. 18.

Table 6
EMD: U.S. producers' average-for-period capacity, production, and capacity utilization, 1985-87, January-March 1987, and January-March 1988

Firm	1985	1986	1987	January-March-- 1987	1988
	Capacity (short tons)				
Chemetals 1/	***	***	***	***	***
Eveready 1/	***	***	***	***	0
Kerr-McGee 2/	3/***	***	***	***	***
Rayovac 1/	***	***	***	***	***
Total	***	***	***	***	***
	Production (short tons)				
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	0
Kerr-McGee	***	***	***	***	***
Rayovac	4/***	5/***	***	***	***
Total	***	***	***	***	***
	Capacity utilization (percent)				
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	-
Kerr-McGee	***	***	***	***	***
Rayovac	6/***	6/***	***	***	***
Average	7/***	7/***	***	***	***

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *. * * *.
5/ * * *. * * *.
6/ * * *.
7/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Production.--U.S. production of EMD increased by *** percent in 1986, decreased by *** percent in 1987 to a level *** percent above the level of 1985, and decreased by *** percent in January-March 1988 compared with the level of production in the corresponding period of 1987. The reasons for the fluctuations in aggregate production are identical to the reasons for capacity fluctuations discussed above. * * *.

U.S. production of EMD by type of anode is presented in the following tabulation (in short tons):

Year or period	Graphite	Titanium
1985	***	***
1986	***	***
1987	0	***
January-March:		
1987	0	***
1988	0	***

Capacity utilization.--U.S. producers' aggregate average-for-period capacity utilization increased in 1986 and decreased in 1987 to a level * * * the level of capacity utilization in 1985. Aggregate average-for-period capacity utilization increased slightly as of March 31, 1988, compared with the level of capacity utilization on March 31, 1987. If capacity utilization is measured on end-of-period capacity, U.S. producers' aggregate capacity utilization would be *** percent in 1985, *** percent in 1986, *** percent in 1987, *** percent in January-March 1987, and *** percent in January-March 1988. Under either measurement, aggregate capacity utilization would be lower in 1985 and 1986 if * * *. Capacity utilization rates during the period covered by the investigations varied significantly by producer and by period. * * * throughout the period covered by the investigations, thus influencing the four producers' aggregate capacity utilization data.

Establishment product lines.--The Commission's questionnaire sent to producers asked the firms to report whether they produced products other than EMD on the same equipment and machinery used in the production of EMD. * * * responded "no." * * * responded "yes," * * *. * * *.

U.S. producers' shipments

There are three types of U.S. producers' shipments of EMD: (1) intracompany transfers, which are for the firms' own use in the production of dry cell batteries, (2) domestic open-market shipments (commercial shipments), and (3) export shipments.

Intracompany transfers.--Two producers, Eveready and Rayovac, transfer their production of EMD for their own use in the production of batteries. Intracompany transfers comprise * * * Eveready's shipments of EMD and * * * Rayovac's shipments of EMD. Intracompany transfers * * * in 1986, decreased by * * * percent in 1987, and decreased by *** percent in January-March 1988 compared with the level of intracompany transfers in January-March 1987 (table 7). The decrease in intracompany transfers in 1987 and in January-March 1988 was * * * result of the fire at Eveready's EMD plant in April 1987. Intracompany transfers accounted for *** percent of the quantity of U.S. producers' aggregate domestic shipments of EMD in 1985, *** percent in 1986, *** percent in 1987, *** percent during January-March 1987, and *** percent in January-March 1988.

Table 7
EMD: U.S. producers' intracompany transfers and domestic commercial shipments, 1985-87, January-March 1987, and January-March 1988

Firm	1985	1986	1987	January-March-- 1987	1988
	Quantity (short tons)				
Intracompany transfers:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***
Domestic commercial shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***
Total domestic shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***
	Value (1,000 dollars)				
Intracompany transfers:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***
Domestic commercial shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***
Total domestic shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Total	1/***	1/***	***	***	***

See footnote at end of table.

Table 7--Continued
EMD: U.S. producers' intracompany transfers and domestic commercial shipments, 1985-87, January-March 1987, and January-March 1988

Firm	1985	1986	1987	January-March-- 1987	January-March-- 1988
	Unit value (per pound)				
Intracompany transfers:					
Chemetals	$***	$***	$***	$***	$***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Average	1/***	1/***	***	***	***
Domestic commercial shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Average	1/***	1/***	***	***	***
Total domestic shipments:					
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	1/***	1/***	***	***	***
Average	1/***	1/***	***	***	***

1/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Domestic commercial shipments.--Chemetals, Kerr-McGee, and Rayovac made domestic commercial shipments of EMD during the period covered by these investigations. The three producers' aggregate domestic commercial shipments of EMD increased in quantity by *** percent in 1986, increased by *** percent in 1987, and increased by *** percent in January-March 1988 compared with the level of domestic commercial shipments in January-March 1987. The trend was identical for the value of U.S. producers' commercial shipments. * * *. * * * of U.S. producers' domestic commercial shipments of EMD is accounted for by Chemetals and Kerr-McGee.

The unit value of U.S. producers' domestic commercial shipments of EMD decreased from $*** per pound in 1985 to $*** per pound in 1986, $*** per pound in 1987, and $*** per pound in January-March 1988.

U.S. producers' domestic shipments of EMD by grade are presented in the following tabulation (in short tons):

Year or period	Alkaline	Zinc chloride	Other 1/
1985	***	***	***
1986	***	***	***
1987	***	***	***
January-March:			
1987	***	***	2/***
1988	***	***	3/***

1/ Consists primarily of EMD described by * * * as "* * *."
2/ Includes *** short tons of undetermined grade.
3/ Includes *** short tons of undetermined grade.

Export shipments.--U.S. producers' export shipments of EMD * * * in quantity by *** percent in 1986, * * * by *** percent in 1987, and * * * by *** percent during January-March 1988 compared with the level of export shipments in the corresponding period of 1987 (table 8). * * * producers (* * *) had export shipments during the period covered by these investigations. Principal export markets were * * *.

Table 8
EMD: U.S. producers' exports, 1985-87, January-March 1987, and January-March 1988

Firm	1985	1986	1987	January-March 1987	January-March 1988
			Quantity (short tons)		
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
			Value (1,000 dollars)		
Chemetals	***	***	***	***	***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
			Unit value (per pound)		
Chemetals	$***	$***	$***	$***	$***
Eveready	***	***	***	***	***
Kerr-McGee	***	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Total shipments.--U.S. producers' total shipments of EMD (i.e., intracompany transfers plus commercial shipments plus export shipments) increased from *** short tons in 1985 to *** short tons in 1986, or by *** percent, and decreased in 1987 to *** short tons, or by *** percent. U.S. producers' total shipments amounted to *** short tons in January-March 1988, a decrease of *** percent compared with the level of total shipments in the corresponding period of 1987.

U.S. producers' purchases

Eveready and Rayovac * * * purchased * * * EMD during the period covered by these investigations * * *. Data on Eveready and Rayovac's * * * are presented in the section of this report entitled "U.S. purchasers."

U.S. producers' inventories

All four U.S. producers reported inventory data on EMD produced in their establishments. U.S. producers' inventories of EMD increased by *** percent as of December 31, 1985, increased by *** percent as of December 31, 1986, and decreased by *** percent as of December 31, 1987, as shown in table 9.

Table 9
EMD: U.S. producers' end-of-period inventories as of Dec. 31, 1984-87, Mar. 31, 1987, and Mar. 31, 1988

Item	Dec. 31--				Mar. 31--	
	1984	1985	1986	1987	1987	1988
Inventories:						
Chemetals (short tons)...	***	***	***	***	***	***
Eveready 1/ (short tons).	***	***	***	***	***	***
Kerr-McGee (short tons)..	***	***	***	***	***	***
Rayovac 1/ (short tons)..	***	***	***	***	***	***
Total (short tons).....	***	***	***	***	***	***
Ratio of reported inventories to U.S. producers' total domestic shipments in the preceding period:						
Chemetals (percent).....	-	***	***	***	2/***	2/***
Eveready (percent).....	-	***	***	***	2/***	2/***
Kerr-McGee (percent).....	-	***	***	***	2/***	2/***
Rayovac (percent).....	-	***	***	***	2/***	2/***
Average (percent).....	-	***	***	***	2/***	2/***

1/ * * *.
2/ Based on annualized shipment data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. producers' inventories decreased by *** percent as of March 31, 1988, compared with the level of inventories on March 31, 1987. Inventories of EMD as a share of U.S. producers' total shipments in the preceding period were over *** percent in each year and period except for January-March 1988. Inventories of EMD as a share of U.S. producers' total shipments in the preceding period increased by *** percentage points as of December 31, 1986, decreased by *** percentage points as of December 31, 1987, and decreased by *** percentage points as of March 31, 1988, compared with the share as of March 31, 1987.

Employment, wages, and productivity

Except for average hourly wages, which rose throughout the period covered by the investigations, all the aggregate employment-related indicators obtained from the four U.S. producers show increases in 1986, decreases in 1987, and decreases in January-March 1988 compared with the corresponding period of the previous year (table 10). * * * in 1986 is the commencement of production of EMD by Chemetals. * * * 1987 is the fire at Eveready's Marietta, OH, facility * * *. * * * Eveready's facility was still not in operation following the fire.

The number of production and related workers producing EMD increased by 59.6 percent in 1986, decreased by 15.4 percent in 1987, and decreased by 18.0 percent in January-March 1988 compared with the number of workers in the corresponding period of 1987. Hours worked by such workers increased by 56.4 percent in 1986, decreased by 19.0 percent in 1987, and decreased by 20.5 percent in January-March 1988 compared with the number of hours worked in the corresponding period of 1987. Total wages paid to such workers increased by 63.5 percent in 1986, decreased by 17.5 percent in 1987, and decreased by 19.9 percent in January-March 1988 compared with total wages in the corresponding period of 1987. Total compensation paid to such workers increased by 66.2 percent in 1986, decreased by 14.8 percent in 1987, and decreased by 18.3 percent in January-March 1988 compared with total compensation in the corresponding period of 1987.

In response to a question in the Commission's questionnaire, *** of the U.S. producers (* * *) reported that they reduced the number of production and related workers producing EMD by at least 5 percent or 50 workers during the period covered by the investigations. * * * reported no such reduction. * * * reported a reduction * * * for * * * owing to "* * *," and a reduction "* * *" of *** workers (*** percent of its workers) owing to "* * *." Eveready reported a reduction as of April 22, 1987, of *** workers for *** months owing to the fire at its Marietta, OH, facility.

Production and related workers producing EMD at three of the four U.S. producers are unionized. Chemetals' workers belong to the International Union of Operating Engineers; Eveready's workers belong to the Industrial Chemical Workers Union; and Kerr-McGee's workers belong to the Oil, Chemical, and Atomic Workers International. Rayovac's production and related workers do not belong to a union.

Table 10
Average number of production and related workers employed in U.S. establishments producing EMD, hours worked by such workers, wages paid, and total compensation paid, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	1988
Average number of employees	***	***	***	***	***
Production and related workers producing--					
All products	***	***	***	***	***
EMD	***	***	***	***	***
Hours worked by production and related workers producing--					
All products (1,000 hours)	***	***	***	***	***
EMD (1,000 hours)	***	***	***	***	***
Wages paid to production and related workers producing--					
All products (1,000 dollars)	***	***	***	***	***
EMD (1,000 dollars)	***	***	***	***	***
Average hourly wages paid to production and related workers producing--					
All products	$***	$***	$***	$***	$***
EMD	***	***	***	***	***
Total compensation paid to production and related workers producing--					
All products (1,000 dollars)	***	***	***	***	***
EMD (1,000 dollars)	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

* * * * * * *

The U.S. producers' labor productivity (aggregate production of EMD per 1,000 hours worked) amounted to *** short tons in 1985, *** short tons in 1986, *** short tons in 1987, *** short tons in January-March 1987, and *** short tons in January-March 1988. 1/ * * *.

The U.S. producers' average unit labor costs for EMD (total labor compensation per short ton produced) amounted to $*** in 1985, $*** in 1986, $*** in 1987, $*** in January-March 1987, and $*** in January-March 1988. 1/

1/ Data for most of 1987 and January-March 1988 exclude Eveready, which did not produce EMD following the April 1987 fire in its EMD plant.

Financial experience of U.S. producers

Three U.S. producers (Chemetals, Kerr-McGee, and Rayovac), accounting for ***, ***, and *** percent of U.S. production of EMD, respectively, in 1987, provided usable income-and-loss data on their EMD operations as well as on their overall operations. A fourth producer, Eveready, accounting for *** percent of EMD production in 1987, did not furnish complete income-and-loss data on its EMD operations because it captively consumed * * *. Eveready did not supply such data * * *.

Chemetals purchased its EMD plant from Foote Mineral Co. in June 1987. Foote had converted its manganese metal plant to a titanium anode EMD plant in 1985, and had commenced commercial production of such EMD in June 1986. Kerr-McGee converted its production of EMD to titanium anodes in 1985; because of this conversion, production of EMD was * * *. * * *.

EMD operations.--The income-and-loss data on the EMD operations of each individual company are presented in table 11. Total net sales of EMD increased by *** percent from $*** million in 1985 to $*** million in 1986. This increase reflects the entry of Chemetals (Foote Mineral) into the commercial market for EMD and the resumption of normal production by Kerr-McGee in 1986 after its conversion to titanium anodes. Total net sales declined by *** percent to $*** million in 1987. During the interim period ended March 31, 1988, such sales rose by *** percent to $*** million, compared with $*** million in the corresponding period of 1987.

The EMD industry reported aggregate operating losses in each period except interim 1988. However, such operating losses declined each year from $*** in 1985 to $*** in 1986 and $*** in 1987. The average operating loss margin fell from *** percent in 1985 to *** percent in 1986 and to *** percent in 1987. During the interim period ended March 31, 1988, the industry reported an aggregate operating income of $***, equivalent to *** percent of net sales, compared with an operating loss of $***, or *** percent of net sales in the corresponding period of 1987. During interim 1988, * * * compared with the data for the corresponding period in 1987.

Kerr-McGee attributed * * *. Chemetals indicated that * * *. Rayovac also * * *.

Chemetals is the only producer that reported startup costs and trial-run costs; these resulted from the conversion of a manganese metal plant to an EMD plant in 1985. * * *, Chemetals' predecessor (Foote) reported * * *.

Rayovac's trade sales * * * from *** percent of its total sales in 1985 to *** percent in 1987 and * * * in interim 1988. Hence, the majority of Rayovac's sales were company transfers that were captively used in the production of batteries. Rayovac valued its company transfers at * * * price. * * *. * * *. If Rayovac's company transfers were valued at * * * price for each reporting period, Rayovac's operating and net income or (loss) in absolute dollars and in relation to its adjusted net sales, respectively,

Table 11
Income-and-loss experience of U.S. producers 1/ on their operations producing EMD, by firms, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985 2/	1986 3/	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)				
Net sales:					
Trade:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Company tranfers:					
Kerr-McGee	-	-	-	-	-
Chemetals	-	-	-	-	-
Rayovac 4/	***	***	***	***	***
Total	***	***	***	***	***
Total net sales:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Cost of goods sold:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Gross profit or (loss):					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
General, selling, and administrative expenses:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Operating income or (loss):					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***

See footnotes at end of table.

Table 11--Continued
Income-and-loss experience of U.S. producers on their operations producing EMD, by firms, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985 2/	1986 3/	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)				
Start-up expenses:					
Kerr-McGee	-	-	-	-	-
Chemetals	***	-	-	-	-
Rayovac	-	-	-	-	-
Total	***	-	-	-	-
Interest expenses:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Net income or (loss) before income taxes:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Depreciation and amortization:					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
Cash flow: 5/					
Kerr-McGee	***	***	***	***	***
Chemetals	***	***	***	***	***
Rayovac	***	***	***	***	***
Total	***	***	***	***	***
	Ratio to net sales (percent)				
Cost of goods sold:					
Kerr-McGee	***	***	***	***	***
Chemetals	6/	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***
Gross profit or (loss):					
Kerr-McGee	***	***	***	***	***
Chemetals	6/	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***

See footnotes at end of table.

Table 11--Continued
Income-and-loss experience of U.S. producers on their operations producing EMD, by firms, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985 2/	1986 3/	1987	Interim period ended Mar. 31-- 1987	1988
	Ratio to net sales (percent)				
General, selling, and administrative expenses:					
Kerr-McGee	***	***	***	***	***
Chemetals	6/	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***
Operating income or (loss):					
Kerr-McGee	***	***	***	***	***
Chemetals	6/	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***
Net income or (loss) before income taxes:					
Kerr-McGee	***	***	***	***	***
Chemetals	6/	***	***	***	***
Rayovac	***	***	***	***	***
Average	***	***	***	***	***

1/ The producers are Chemetals, Kerr-McGee, and Rayovac. Eveready is not included in the table * * *, reported only the costs of the EMD it transferred to its battery operations. The company indicated that all its transfers of EMD are made at * * * as determined by its internal accounting procedures. * * *.
2/ In 1985, Kerr-McGee converted the production of EMD to titanium anodes. This resulted in * * * in that year. Also in 1985, Foote Mineral Co. converted its manganese metal plant to a titanium anode EMD plant. Chemetals purchased the plant in June 1987.
3/ Foote Mineral Co. started commercial production of EMD in June 1986. Rayovac converted its EMD production to titanium anodes during 1986.
4/ Rayovac valued its company transfers at * * *.
5/ Cash flow is defined as net income or (loss) plus depreciation and amortization.
6/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

would have been $*** or *** percent in 1985, $*** or *** percent in 1986, $*** or *** percent in 1987, $*** or *** percent in interim 1987, and $*** or *** percent in interim 1988, and the EMD industry average operating income and (loss) margins shown in table 11 would have been as follows:

* * * * * * *

Rayovac reported * * *. The company claims that these results are just a coincidence, and that they reflect a * * *; the data reported are as per the company's records. In 1987, due to the * * *.

Eveready * * * reported only the costs of the EMD it transferred to its battery operations. The company indicated that all its transfers of EMD are made at * * * as determined by its internal accounting procedures. As all of Eveready's production facilities are * * *, it does not * * *.

If Eveready's company transfers were valued at * * *, 1/ and its general, selling, and administrative expenses were estimated at an industry average percent of net sales for each reported period, it would show sales and operating income or (loss) in absolute dollars and in relation to its estimated sales value as follows:

*	*	*	*	*	*	*

If Eveready's estimated sales value of its company transfers and its estimated operating income or (loss) were included in the data reported in table 11, adjusted by Rayovac's company transfers as discussed before in this section, the EMD industry operating income or (loss) margins would be as follows:

*	*	*	*	*	*	*

The trend of the industry operating income or (loss) margin * * *.

Overall establishment operations.--Income-and-loss data for U.S. producers' establishments within which EMD is produced are shown in table 12. The share of total sales accounted for by EMD sales increased from *** percent in 1985 to *** percent in 1986 and 1987 and to *** percent in interim 1988. Overall establishment net sales rose by *** percent from 1985 to 1986 and declined by *** percent from 1986 to 1987. However, the operating income margin declined in 1986 from 1985 and then increased in 1987 from 1986. During the interim period ended March 31, 1988, net sales increased by *** percent and the operating income margin rose by *** percentage points compared with such data in the corresponding period of 1987. * * * reported * * * on its other products--* * *--produced in its * * * plant. * * * reported * * *.

1/ Computed by total net sales in table 11, adjusted by revaluing the company transfers of Rayovac at its * * * and then dividing by the total quantities sold and transferred by the three producers.

Table 12
Income-and-loss experience of U.S. producers on the overall operations of their establishments within which EMD is produced, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985	1986	1987	Interim period ended Mar. 31--1987	Interim period ended Mar. 31--1988
	Value (1,000 dollars)				
Net sales	***	***	***	***	***
Cost of goods sold	***	***	***	***	***
Gross profit	***	***	***	***	***
General, selling, and administrative expenses	***	***	***	***	***
Operating income	***	***	***	***	***
Startup expenses	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income (expense), net	***	***	***	***	***
Net income before income taxes	***	***	***	***	***
Depreciation and amortization included above	***	***	***	***	***
Cash flow 1/	***	***	***	***	***
	Share of net sales (percent)				
Cost of goods sold	***	***	***	***	***
Gross profit	***	***	***	***	***
General, selling, and administrative expenses	***	***	***	***	***
Operating income	***	***	***	***	***
Net income before income taxes	***	***	***	***	***
EMD net sales	***	***	***	***	***
	Number of firms reporting				
Operating losses	***	***	***	***	***
Net losses	***	***	***	***	***
Data	3	3	3	3	3

1/ Cash flow is defined as net income before income taxes plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Investment in productive facilities.--Four U.S. producers provided data relating to the valuation of property, plant, and equipment used in the production of all products of their establishments and used in the production of EMD. These data are presented in the following tabulation (in thousands of dollars):

Period	All establishment products: Original cost	All establishment products: Book value	EMD: Original cost	EMD: Book value
1985	97,691	52,095	56,663	28,166
1986	101,907	61,163	61,763	37,037
1987	77,286	52,461	34,598	26,490
As of Mar. 31--				
1987	101,144	59,124	60,973	35,272
1988	83,161	56,563	39,431	30,243

* * *. Hence, assets * * *. In 1987, assets * * *.

To provide an additional measure of profitability, the ratios of operating income or loss to the book value of property, plant, and equipment (i.e., return on fixed assets) employed in the production of all establishment products and for EMD are shown in the following tabulation (in percent):

* * * * * * *

Capital expenditures and research and development expenses.--Four U.S. producers supplied data concerning their capital expenditures and their research and development expenses in connection with all products produced in their establishments and, separately, for EMD. These data are shown in the following tabulation (in thousands of dollars):

Period	Capital expenditures: All establishment products	Capital expenditures: EMD	Research and development: All establishment products	Research and development: EMD
1985	17,242	12,335	***	1,168
1986	6,961	3,418	1,167	1,083
1987	***	1,457	1,112	1,071
Interim period ended Mar. 31--				
1987	***	***	290	276
1988	***	***	260	253

In 1985, the high capital expenditures reflect the conversion to titanium anodes by most of the companies. The interim 1988 capital expenditures include $*** incurred by * * *.

Impact of imports on capital and investment

The Commission requested U.S. producers to describe and explain the actual or anticipated negative effects, if any, of imports of EMD from Greece, Ireland, or Japan on their firms' growth, investment, and ability to raise capital. The producers' responses are presented in appendix D.

Consideration of the Question of Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--
>
> (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
>
> (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
>
> (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
>
> (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
>
> (V) any substantial increase in inventories of the merchandise in the United States,
>
> (VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

---

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

With regard to item (I) above, no subsidies are involved in these investigations. The available data on foreign producers' operations (items (II) and (VI) above) and on the potential for "product-shifting" (item (VIII)) are presented in the section of this report entitled "Ability of foreign producers to generate exports." Information on the volume, U.S. market penetration, and pricing of imports of the subject EMD (items (III) and (IV) above) is presented in the section of this report entitled "Consideration of the causal relationship between imports allegedly sold at LTFV and the alleged material injury or threat thereof." Available information on U.S. importers' inventories of EMD from Greece, Ireland, and Japan (item (V)) is presented below.

U.S. importers' inventories

U.S. importers' inventories of EMD imported from Greece, Ireland, and Japan increased by *** percent as of December 31, 1985, decreased by *** percent as of December 31, 1986, increased by *** percent as of December 31, 1987, and increased by *** percent as of March 31, 1988, compared with the level of inventories as of March 31, 1987 (table 13). The increase in inventories as of March 31, 1988, * * *. * * *.

U.S. importers' inventories of EMD imported from countries other than Greece, Ireland, and Japan were * * * as of December 31, 1986, and March 31, 1987, but * * * as of March 31, 1988. Most of the inventories from such other countries * * *.

Table 13
EMD: U.S. importers' 1/ inventories of imports as of Dec. 31 of 1984-87, Mar. 31, 1987, and Mar. 31, 1988

Item	Dec. 31--				Mar. 31--	
	1984	1985	1986	1987	1987	1988
Inventories of EMD imported from--						
Greece (short tons) 2/..	***	***	***	***	***	***
Ireland (short tons)....	***	***	***	***	***	***
Japan (short tons) 3/...	***	***	***	***	***	***
Subtotal (short tons).....	***	***	***	***	***	***
All other countries (short tons).....	***	***	***	***	***	***
Total (short tons)....	***	***	***	***	***	***
Ratio of reported inventories as a share of imports from each country in the preceding period:						
Greece (percent).....	-	***	***	***	4/***	4/***
Ireland (percent).....	-	***	***	***	4/***	4/***
Japan (percent) 2/.....	-	***	***	***	4/***	4/***
Average (percent).....	-	***	***	***	4/***	4/***
All other countries (percent).....	-	***	***	***	4/***	4/***
Average (percent).....	-	***	***	***	4/***	4/***

1/ Only * * * had inventories of their imports of EMD. * * * reported that they do not keep inventories of EMD, although * * *.
2/ * * *.
3/ Excludes inventories maintained by * * *. Such inventories amounted to *** short tons as of Dec. 31, 1984, *** short tons as of Dec. 31, 1985, *** short tons as of Dec. 31, 1986, *** short tons as of Dec. 31, 1987, * * * inventories as of Mar. 31, 1987, and *** short tons as of Mar. 31, 1988.
4/ Based on annualized shipment data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. importers' current orders for EMD

The Commission's questionnaire requested importers to specify whether they imported, or intended to import, EMD in 1988. * * *. * * *. * * * stated that "* * *." * * * indicated that it * * *. The * * * importers' current orders for EMD are presented in the following tabulation (in short tons):

Country	January-June 1988	July-December 1988 1/
Brazil.....	***	***
Greece.....	***	***
Ireland.....	***	***
Japan.....	***	***
South Africa...	***	***
Total.....	***	***

1/ The data in this column are not directly comparable to those in the column for January-June 1988 because additional orders may still be made for July-December 1988.

* * * * * * *

Ability of foreign producers to generate exports

The Commission requested counsel for two of the four Japanese producers of EMD (Mitsui Mining & Smelting Co., Ltd. and Tosoh Corp.) 1/ and for the producers of EMD in Greece and Japan to provide information on their clients' EMD operations. The information requested consisted of the number and names of producing firms; plant locations; production, capacity, capacity utilization, home-market shipments, exports to the United States, exports to other major markets, and total exports, for each of the years 1985-87 and for January-March of 1987 and of 1988; projected changes in production, capacity, or capacity utilization in 1988 and 1989; and intentions or projections as to the quantity of exports to the United States and to other major markets in 1988 and 1989. Similar data were requested by the Commission from the U.S. embassies in Athens, Dublin, and Tokyo. Information received in response to the Commission's requests is presented below.

Greece.--The only producer of EMD in Greece is Tosoh Hellas A.I.C., formerly known as Tekkosha Hellas A.B.E., located in the industrial area of Sindos, Thessaloniki, Greece. Tekkosha Hellas was established in 1973 and production of EMD began in 1976. Tosoh Hellas' production and capacity utilization * * * (table 14). * * *.

1/ The other two producers of EMD in Japan (Japan Metals and Chemicals Co., Inc., and Daiichi Carbon Co., Ltd.) were not represented by counsel and were not contacted directly to provide information. However, information on the EMD industry in Japan was obtained from various public sources and from the U.S. embassy in Tokyo.

Table 14
Salient data on the EMD industry in Greece, 1/ 1985-87, January-March 1987, January-March 1988, and projections for 1988 and 1989

Item	1985	1986	1987	1988	1989	January-March-- 1987	1988
Production (short tons)..	***	***	***	***	***	***	***
Capacity 2/ (short tons).	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
End-of-period inventories (short tons)....	***	***	***	3/	3/	***	***
Shipments:							
Home market (short tons).....	***	***	***	***	***	***	***
Exports--							
To the United States (short tons).....	***	***	***	***	***	***	***
To all other countries 4/ (short tons).....	***	***	***	***	***	***	***
Total (short tons).....	***	***	***	***	***	***	***

1/ The data presented in the table are for Tosoh Hellas, A.I.C., the only producer of EMD in Greece.
2/ Capacity data are based on an operating period of * * *.
3/ Data not projected.
4/ * * * is the principal destination.

Source: Information supplied by Weil, Gotshal & Manges, counsel for Tosoh Hellas A.I.C.

Tosoh Hellas' home-market shipments are * * *. * * * are exported, principally to * * *. Exports to the United States were significant in 1985, but have been minimal since that year * * *.

Ireland.--The only producer of EMD in Ireland is Mitsui Denman (Ireland), Ltd., located in Little Island, Cork, Republic of Ireland. Mitsui Denman's capacity utilization * * * (table 15). Production * * *. * * *. However, production, capacity utilization, and exports * * *. According to counsel for Mitsui Denman in a June 22, 1988, telephone conversation, Mitsui Denman * * *.

Japan.--There are four producers of EMD in Japan: Daiichi Carbon Co., Ltd., Yokohama; Japan Metals & Chemicals Co., Tokyo; Mitsui Mining & Smelting Co., Ltd., Tokyo; and Tosoh Corp., Tokyo. * * *; salient data on Mitsui and

Table 15
Salient data on the EMD industry in Ireland, 1/ 1985-87, January-March 1987, and January-March 1988 2/

Item	1985	1986	1987	January-March-- 1987	1988
Production (short tons).....	***	***	***	***	***
Capacity 3/ (short tons).....	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***
End-of-period inventories (short tons).....	***	***	***	***	***
Shipments:					
Home market (short tons).....	***	***	***	***	***
Exports--					
To the United States (short tons).....	***	***	***	***	***
To all other countries 4/ (short tons).....	***	***	***	***	***
Total (short tons).....	***	***	***	***	***

1/ The data presented in the table are for Mitsui Denman (Ireland), Ltd., the only producer of EMD in Ireland.
2/ No projections were provided.
3/ Capacity data are based on an operating period of * * *.
4/ The principal destination in all years and periods is * * *.

Source: Information supplied by Marks Murase & White, counsel for Mitsui Denman (Ireland), Ltd.

Tosoh are presented in table 16. 1/ Mitsui's EMD manufacturing plant is located in Takehara City, Hiroshima. Tosoh's EMD plant is located in Funaba-cho, Hyuga City, Miyazaki Prefecture. Japan Metals & Chemicals Co.'s plant was constructed in Takaoka in 1980 with a capacity of *** short tons; its capacity was * * * in 1984, and another capacity expansion in 1986 resulted in a total capacity of *** short tons.

Japan is the world's largest producer of EMD. It accounts for approximately 47 percent of world capacity, excluding China and the U.S.S.R.

1/ The Commission also received a telegram from the U.S. embassy in Tokyo that supplied aggregate data for the four producers of EMD in Japan. Data and trends in the telegram * * * the data provided in table 16. Of note is the fact that aggregate inventories of EMD in Japan are reported in the telegram to have been 8,433 short tons as of Dec. 31, 1985; 12,476 short tons as of Dec. 31, 1986; 14,472 short tons as of Dec. 31, 1987; 11,482 short tons as of Mar. 31, 1987; and 13,826 short tons as of Mar. 31, 1988.

Table 16
Salient data on the EMD industry in Japan, 1/ 1985-87, January-March 1987, January-March 1988, and projections for 1988 and 1989

Item	1985	1986	1987	1988	1989	January-March-- 1987	January-March-- 1988
Production (short tons)..	***	***	***	2/***	3/***	3/***	3/***
Capacity (short tons)....	***	***	***	4/***	3/***	***	***
Capacity utilization (percent).....	***	***	***	3/***	3/***	3/***	3/***
End-of-period inventories (short tons)....	***	***	***	5/	5/	***	***
Shipments:							
Home market (short tons).....	***	***	***	3/***	3/***	***	***
Exports--							
To the United States (short tons).....	***	***	***	3/***	3/***	***	***
To all other countries 6/ (short tons).....	***	***	***	3/***	3/***	***	***
Total (short tons).....	***	***	***	3/***	3/***	***	***

1/ The data presented in the table are for 2 of the 4 producers of EMD in Japan, Mitsui Mining & Smelting Co., Ltd. and Tosoh Corp. Mitsui and Tosoh * * *.
2/ Data are for Tosoh only. Tosoh's projected production in 1988 is * * *.
3/ Data are for Tosoh only.
4/ Data are for Tosoh only. Tosoh's projected capacity in 1988 is * * *.
5/ Data not projected.
6/ Principal destinations are * * *.

Source: Information supplied by Marks Murase & White, counsel for Mitsui Mining & Smelting Co., Ltd., and Weil, Gotshal & Manges, counsel for Tosoh Corp.

Japan has played a major role in the historical development of EMD. A Japanese patent on the use of EMD in dry cell batteries was obtained in 1929. Advances in the application of alternating current to $MnSO_4$ solution to produce MnO_2 were detailed by Kameyama and Iida in 1934 and by Takahashi in 1938. The Tokyo Shibaura Electric Co. produced EMD in its Washizu plant as early as 1944 and Mitsui Mining & Smelting Co. began to produce EMD in its Takehara plant in 1948. In November 1948, the Japanese Ministry of International Trade and Industry (MITI) organized an EMD committee composed of representatives of EMD producers and dry cell battery producers.

Consideration of the Causal Relationship Between Imports Allegedly Sold at LTFV and the Alleged Material Injury or Threat Thereof

U.S. imports

Data on U.S. imports reported herein are based on responses to the Commission's questionnaire sent to importers (table 17). All known U.S. importers of EMD provided data in response to the questionnaire. Official import statistics of the U.S. Department of Commerce were not used to report imports of EMD because the TSUSA item under which EMD is reported also contains other types of manganese dioxide.

Table 17
EMD: U.S. imports, by country and by importer, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	1988
*	*	*	*	*	*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Greece.--The quantity of U.S. imports of EMD from Greece decreased by *** percent in 1986 and by *** percent in 1987, and increased by *** percent in January-March 1988 compared with imports in the corresponding period of 1987. The trend was the same for the value of U.S. imports from Greece. 1/ The unit value of U.S. imports from Greece was $*** per pound in 1985 and 1986, $*** per pound in 1987, and $*** per pound in January-March 1988. The * * * importers of EMD from Greece during the period covered by the investigations were * * *.

Ireland.--The quantity of U.S. imports of EMD from Ireland increased by *** percent in 1986, decreased by *** percent in 1987, and * * * in January-March 1988. The trend was the same for the value of U.S. imports from Ireland. The unit value of U.S. imports from Ireland * * * from $*** per pound in 1985 to $*** cents per pound in 1986, and $*** cents per pound in 1987. The * * * importers of EMD from Ireland are * * *.

1/ For all countries, the value of imports reported in response to the Commission's questionnaire consists of the landed, duty-paid value at the U.S. port of entry, including the cost of ocean freight and insurance, brokerage, and import duties (i.e., all charges except inland freight in the United States).

Japan.--The quantity of U.S. imports of EMD from Japan decreased by *** percent in 1986, increased by *** percent in 1987, and increased by *** percent in January-March 1988 compared with imports in the corresponding period of 1987. The trend was the same for the value of U.S. imports from Japan. The unit value of U.S. imports from Japan was * * *. There were *** importers of EMD from Japan during the period covered by these investigations.

Cumulated imports.--The aggregate quantity of U.S. imports of EMD from Greece, Ireland, and Japan decreased by *** percent in 1986, increased by *** percent in 1987, and increased by *** percent in January-March 1988 compared with imports in the corresponding period of 1987. The trend was the same for the aggregate value of U.S. imports from the three countries. The unit value of aggregate U.S. imports from Greece, Ireland, and Japan was $*** per pound in 1985, $*** per pound in 1986, $*** per pound in 1987, and $*** per pound in January-March 1988.

Total imports.--The total quantity of U.S. imports of EMD decreased by *** percent in 1986 and by *** percent in 1987, and increased by *** percent in January-March 1988 compared with imports in the corresponding period of 1987. The trend was the same for the total value of U.S. imports. The unit value of total U.S. imports of EMD decreased from $*** per pound in 1985 to $*** per pound in 1986, $*** per pound in 1987,and $*** per pound in January-March 1988.

Market penetration of imports

U.S. importers' domestic shipments of imports (U.S. importers' domestic resales of imports plus captive consumption of imports) of EMD are presented in table 18 and will be used to calculate the market penetration of imports.

The trends in the quantity of domestic shipments of imports are identical to those of U.S. imports in table 17, except that U.S. importers' total domestic shipments increased slightly in 1987 whereas total U.S. imports decreased in that year. * * *.

U.S. importers' domestic shipments of EMD by grade are presented in the following tabulation (in short tons): 1/

Year or period	Alkaline	Zinc chloride	Other
1985	***	***	***
1986	***	***	***
1987	***	***	***
January-March:			
1987	***	***	***
1988	***	***	***

1/ Aggregate shipments of the data in the tabulation differ slightly from total shipments in table 18 because * * *.

Table 18
EMD: U.S. importers' domestic shipments, 1/ by source country, 1985-87, January-March 1987, and January-March 1988

Country	1985	1986	1987	January-March-- 1987	1988
	Quantity (short tons)				
Greece	***	***	***	***	***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Subtotal	***	***	***	***	***
All other countries	***	***	***	***	***
Total	***	***	***	***	***
	Value (1,000 dollars) 2/				
Greece	***	***	***	***	***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Subtotal	***	***	***	***	***
All other countries	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (per pound)				
Greece	$***	$***	$***	3/$***	3/$***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Average, 3 countries	***	***	***	***	***
All other countries	***	***	***	***	***
Average, all countries	***	***	***	***	***

1/ Consists of U.S. importers' resales of imports and captive consumption of imports.
2/ The value of an importer's shipments consists of the net value (i.e., gross value of shipments less all discounts, allowances, rebates, and the value of returned goods), f.o.b. the importer's U.S. point of shipment. * * *.
3/ Based on unrounded data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Commercial market penetration of imports.--U.S. importers' shipments as a share of apparent U.S. commercial consumption of EMD are presented in table 19.

Greece.--U.S. importers' shipments of EMD from Greece accounted for *** percent of the quantity of apparent U.S. commercial consumption in 1985, *** percent in 1986, and *** percent in 1987. The * * * share of the imports from Greece is accounted for by the fact that * * *. EMD from Greece as a share of apparent U.S. commercial consumption was *** percent in January-March 1988, * * * from *** percent in the corresponding period of the previous year. * * *.

Table 19
EMD: U.S. producers' domestic commercial shipments, U.S. importers' domestic shipments, 1/ apparent U.S. commercial consumption, and importers' domestic shipments as a share of apparent U.S. commercial consumption, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	1988
*	*	*	*	*	*

1/ Consists of U.S. importers' resales of imports plus their captive consumption of imports.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Ireland.--U.S. importers' shipments of EMD from Ireland accounted for *** percent of the quantity of apparent U.S. commercial consumption in 1985, *** percent in 1986, and *** percent in 1987. EMD from Ireland as a share of apparent U.S. commercial consumption was *** percent in January-March 1987 and * * * in the corresponding period of 1988. The * * * of the imports from Ireland in 1987 and January-March 1988 is accounted for by * * *.

Japan.--U.S. importers' shipments of EMD from Japan accounted for *** percent of the quantity of apparent U.S. commercial consumption in 1985, *** percent in 1986, and *** percent in 1987. 1/ The decreased share of the imports from Japan in 1986 is * * *. The increased share of imports from Japan in 1987 is accounted for by * * *. EMD from Japan as a share of apparent U.S. commercial consumption was *** percent in January-March 1988, an increase from *** percent in the corresponding period of the previous year. The increase is owed mainly to increased imports by * * * and to a lesser extent to * * *.

Greece, Ireland, and Japan cumulated.--U.S. importers' aggregate shipments of EMD from Greece, Ireland, and Japan accounted for *** percent of the quantity of apparent U.S. commercial consumption in 1985, *** percent in 1986, and *** percent in 1987. The three countries' share of apparent U.S. commercial consumption was *** percent in January-March 1988, an increase from the *** percent share in the corresponding period of the previous year.

Total market penetration of imports.--U.S. importers' shipments as a share of total apparent U.S. consumption of EMD are presented in table 20.

1/ U.S. importers' shipments of Japanese EMD would have * * * if * * *.

Table 20
EMD: U.S. producers' total domestic shipments (including captive shipments), U.S. importers' domestic shipments, apparent U.S. consumption, and importers' domestic shipments as a share of apparent U.S. consumption, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	January-March-- 1988
	Quantity (short tons)				
U.S. producers' total domestic shipments	***	***	***	***	***
U.S. importers' domestic shipments of imports from 1/--					
Greece	***	***	***	***	***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Subtotal	***	***	***	***	***
All other countries	***	***	***	***	***
Subtotal	***	***	***	***	***
Total apparent U.S. consumption	41,543	45,446	44,307	10,617	11,881
	Value (1,000 dollars)				
U.S. producers' total domestic shipments	***	***	***	***	***
U.S. importers' domestic shipments of imports from 1/--					
Greece	***	***	***	***	***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Subtotal	***	***	***	***	***
All other countries	***	***	***	***	***
Subtotal	***	***	***	***	***
Total apparent U.S. consumption	56,664	57,004	54,445	12,861	13,740
	Percentage distribution of the quantity of consumption				
U.S. producers' total domestic shipments	***	***	***	***	***
U.S. importers' domestic shipments of imports from 1/--					
Greece	***	***	***	***	***
Ireland	***	***	***	***	***
Japan	***	***	***	***	***
Subtotal	***	***	***	***	***
All other countries	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

See footnote at end of table.

Table 20--Continued
EMD: U.S. producers' total domestic shipments (including captive shipments), U.S. importers' domestic shipments, apparent U.S. consumption, and importers' domestic shipments as a share of apparent U.S. consumption, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March-- 1987	1988
	Percentage distribution of the value of consumption				
U.S. producers' total domestic shipments.....	***	***	***	***	***
U.S. importers' domestic shipments of imports from 1/--					
Greece.....	***	***	***	***	***
Ireland.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other countries...	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

1/ Consists of U.S. importers' resales of imports and captive consumption of imports.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Greece.--U.S. importers' shipments of EMD from Greece accounted for *** percent of the quantity of total apparent U.S. consumption in 1985, *** percent in 1986, and *** percent in 1987. The decreased share of the imports from Greece is accounted for by the fact that * * *. EMD from Greece as a share of total apparent U.S. consumption was *** percent in January-March 1988, * * * from *** percent in the corresponding period of the previous year. * * *.

Ireland.--U.S. importers' shipments of EMD from Ireland accounted for *** percent of the quantity of total apparent U.S. consumption in 1985, *** percent in 1986, and *** percent in 1987. EMD from Ireland as a share of total apparent U.S. consumption was *** percent in January-March 1987 and * * * in the corresponding period of 1988. The decreased share of the imports from Ireland in 1987 and January-March 1988 is accounted for by * * *.

Japan.--U.S. importers' shipments of EMD from Japan accounted for *** percent of the quantity of total apparent U.S. consumption in 1985, *** percent in 1986, and *** percent in 1987. 1/ The decreased share of the imports from Japan in 1986 is * * *. The increased share of imports from

1/ U.S. importers' shipments of Japanese EMD would have * * * if * * *.

Japan in 1987 is accounted for by * * *. EMD from Japan as a share of total apparent U.S. consumption was *** percent in January-March 1988, an increase from *** percent in the corresponding period of the previous year. The increase is accounted for mainly by * * * and to a lesser extent to * * *.

Greece, Ireland, and Japan cumulated.--U.S. importers' aggregate shipments of EMD from Greece, Ireland, and Japan accounted for *** percent of the quantity of total apparent U.S. consumption in 1985, *** percent in 1986, and *** percent in 1987. The three countries' share of total apparent U.S. consumption was *** percent in January-March 1988, an increase from the ***-percent share in the corresponding period of the previous year.

Prices

The demand for EMD depends upon the demand for consumer batteries and also upon the amount of EMD that is used in each battery. The five most commonly used sizes of primary consumer batteries are AAA, AA, 9-volt, C, and D. Two factors have affected the demand for EMD in the past two or three years. As a result of a growing trend towards miniaturization, the demand for smaller batteries, AA and AAA, has grown. Although these smaller batteries use less EMD than larger batteries, * * *. 1/ In addition, smaller batteries are more sensitive to EMD quality differences than large batteries and thus there has been a shift towards higher quality EMD.

EMD can be finished to different specifications, which generally vary from customer to customer and depend on the type of dry cell battery in which the EMD is to be used. However, whereas these variations are often subtle, EMD can generally be classified into two grades: alkaline EMD and zinc chloride EMD. The two grades differ according to the particle size and the pH of the material. 2/ These differences come about during the grinding and neutralization phases of EMD production and generally do not affect the price of the EMD. 3/ Some purchasers believe that EMD from different suppliers is different. Some firms, * * *, * * * from different suppliers, whereas other firms, * * *.

EMD is generally sold as a powder, but can also be sold in chip or plate form. The price of EMD chip is typically less than that of EMD powder. This is because EMD chip must be ground into powder form before it can be used in battery production. Only those battery manufacturers with grinding equipment can purchase EMD chip. Battery manufacturers that do not produce their own

---

1/ Several battery producers have replaced the metal casings previously used in battery production with plastic casings. This change allows battery producers to pack more EMD in the batteries; the more EMD in the battery, the longer the battery lasts.

2/ Testimony of Richard Wohletz at staff conference on June 20, 1988, p. 11.

3/ Petitioners and respondents disagree as to whether alkaline grade EMD and zinc chloride EMD constitute one or two like products; however, prices of alkaline EMD and zinc chloride EMD were very similar. Four producers and three importers stated in their questionnaire responses that prices for the two were about the same during the past three years and have generally followed similar trends.

EMD, e.g., Duracell, usually do not have grinding equipment. During the period of investigation, there were relatively few sales of EMD chip in the United States. 1/

Before EMD is accepted for purchase by the major U.S. battery manufacturers, it must be qualified for use. Both Eveready and Duracell perform tests on samples to evaluate and rank various suppliers. This qualification process is lengthy, lasting anywhere from 4 to 12 months. 2/ Both Eveready and Duracell have stated that quality is the most important factor in a purchasing decision. 3/ Because of the time required to qualify suppliers, switching from one supplier to another cannot be done easily, unless a supplier is already qualified with that purchaser. Requalification of a supplier is necessary if either the battery manufacturer or the EMD supplier change its production process or if problems arise with the EMD. 4/

Prices for EMD are quoted in a variety of ways. The two U.S. merchant producers, Kerr-McGee and Chemetals, generally quote prices on an f.o.b. plant basis and the customer pays the shipping costs. The other U.S. producers of EMD, Eveready and Rayovac, consume * * * of the EMD they produce; therefore, these two firms * * *. 5/ Sales of the imported product are made in a number of ways and generally vary depending on the customer's requirements. * * *. Purchases of imported EMD by * * *. 6/ * * *. * * *. * * *.

Shipping costs for EMD range from approximately *** to *** percent of the price of EMD. Leadtime for delivery for domestic and imported EMD differ; shipments from U.S. producers to their customers take approximately 1 to 6 weeks, and the leadtime for shipments from importers of EMD averages 6 to 8 weeks.

The Commission requested price data from U.S. producers and importers for the largest quarterly sale to each of their three largest customers during the period January 1985 to March 1988. Price data were requested for the following three products:

PRODUCT 1: EMD (in powder form) qualified for use in the manufacture of alkaline batteries

PRODUCT 2: EMD (in powder form) qualified for use in the manufacture of zinc chloride batteries

PRODUCT 3: EMD chip or plate qualified for use in the manufacture of alkaline batteries

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1/ * * * EMD chip during the period covered by the investigations. * * *.
2/ Even EMD produced for captive consumption must be tested and qualified. * * * stated that it took * * * months to qualify its own EMD in * * *. Once the EMD was qualified, * * *.
3/ Postconference submission of Duracell, p. 2, and transcript of the conference, p. 119.
4/ Staff interview with * * *.
5/ * * *.
6/ * * *.

The products for which price data were collected represent *** percent of domestic shipments, *** percent of imports from Greece, *** percent of imports from Ireland, and *** percent of imports from Japan in 1987.

* * * provided price data for sales of alkaline EMD; * * *. * * * could not provide sales prices. 1/

The * * * importers, * * *, reported prices for the transactions in which they were the importers of record. 2/ * * *. 3/

Price trends.--Weighted-average prices for domestic alkaline grade EMD (product 1) and zinc chloride grade EMD (product 2) decreased *** and *** percent, respectively, during the period January 1985 to March 1988 (tables 21 and 22). 4/ No U.S. producer or importer reported sales of EMD chip or plate during the period of investigation.

Table 21
Weighted-average f.o.b. prices of U.S.-produced and imported Greek and Japanese alkaline EMD (Product 1), 1/ and average margins by which imports of this product undersold or (oversold) the U.S.-produced product, by quarters, January 1985-March 1988

*	*	*	*	*	*	*

1/ On the basis of prices reported by U.S. producers and importers for their largest quarterly sale.

Note.--Absolute and percentage margins are calculated from unrounded figures. Thus, margins cannot always be directly calculated from the rounded prices shown in the table.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices for Greek EMD for use in alkaline batteries showed * * * during the period January-March 1985 through January-March 1986 (table 21). No prices were reported for sales of Greek EMD for use in zinc chloride batteries.

Prices for Irish zinc chloride grade EMD * * * throughout 1985 and 1986 and then * * * in 1987 (table 22). No prices were reported for sales of Irish EMD for use in alkaline batteries.

1/ * * *.
2/ * * *.
3/ * * *. * * * actual purchase prices for EMD that are discussed in the section of this report entitled "purchaser prices."
4/ * * *.

Table 22
Weighted-average f.o.b. prices of U.S.-produced and imported Irish and Japanese zinc chloride EMD (Product 2), 1/ and average margins by which imports of this product undersold or (oversold) the U.S.-produced product, by quarters, January 1985-March 1988

* * * * * * *

1/ On the basis of prices reported by U.S. producers and importers for their largest quarterly sale.

Note.--Absolute and percentage margins are calculated from unrounded figures. Thus, margins cannot always be directly calculated from the rounded prices shown in the table.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices for Japanese alkaline grade EMD were * * * in January-March 1988 than they were in January-March 1985 (table 21). * * *. These prices decreased *** percent from $*** in 1985 to $*** in 1988 (based on year-to-date information). During the period of investigation, prices of Japanese zinc chloride grade EMD * * *.

Price comparisons.--Prices for Greek alkaline EMD were * * * than domestic prices in * * *, with margins ranging from *** to *** percent. 1/ Prices for Irish zinc chloride grade EMD were *** to *** percent * * * those for domestic EMD in * * *. Japanese prices for alkaline grade EMD were above the prices for domestic alkaline grade EMD in * * *. In * * *, prices for Japanese alkaline grade EMD were *** percent below those for the similar domestic product. For zinc chloride grade EMD, Japanese prices * * *, with margins ranging from *** to *** percent.

Purchaser prices.--There are three main purchasers of EMD: Duracell, Eveready, and Rayovac. * * *. Although there are a small number of other battery producers in the United States, purchases by these firms are small and since there are two U.S. merchant suppliers and several other producers in the world that supply the U.S. market, the U.S. EMD market consists of more suppliers than purchasers. Virtually the only use of EMD is in batteries, therefore the purchasers, mainly Eveready and Duracell, play an important role in price negotiations. 2/

1/ * * *.
2/ Questionnaire responses indicate that * * *. * * * stated that "* * *." * * * stated that in its * * *, "* * *," and "* * *."

Both Eveready and Duracell supplied, in their postconference briefs, annual price data for purchases of both domestic and imported EMD during the period of investigation (tables 23 and 24). Prices reported by Eveready for domestic EMD are f.o.b. the producer's plant; prices for imported EMD are * * *. 1/ Prices reported by Duracell for purchases of domestic EMD are f.o.b. the producer's plant; prices for imported EMD are * * *. Duracell * * *. Purchase prices submitted by Eveready and Duracell were consistent with the price data submitted by U.S. producers and importers.

Table 23
Purchase prices as reported by Eveready for domestic and imported EMD, by companies, 1985-88 1/

*	*	*	*	*	*	*

1/ During the period of investigation, Eveready also purchased EMD from * * *. Eveready purchased * * *.

Source: Postconference brief of Eveready Battery Company, June 23, 1988, p. 20.

Table 24
Purchase prices as reported by Duracell for domestic and imported EMD, by companies, 1985-88

*	*	*	*	*	*	*

Source: Postconference brief of Duracell, Confidential Appendix D, June 22, 1988.

Eveready's purchase prices, both for domestic and imported EMD, * * * during the period covered by the investigations. Eveready * * *. Eveready has * * *. Eveready purchased * * *. 2/ * * *. 3/ Eveready also purchased some EMD from * * *; however, * * *. 4/

Duracell purchased EMD from both domestic and foreign suppliers during the period covered by the investigations and prices * * *. In early 1986,

1/ * * *. * * *. * * *.
2/ Eveready claimed that it was "because of the higher quality of Tosoh and Mitsui EMD in the pre-1986 period, (that) Eveready turned to imports instead of KMCC to supplement Eveready's own captive production." (Postconference brief of Eveready, p. 7).
3/ Postconference brief of Eveready, p. 8.
4/ Questionnaire response of Eveready.

Duracell stopped purchasing from Japan and began to purchase all its EMD from domestic suppliers. 1/ Duracell resumed purchasing Japanese EMD * * * than it had previously purchased it * * *. According to Duracell, it was * * *. Duracell entered into a 3-year contract with Chemetals for purchases of EMD in 1986-88. According to the terms of the contract, the price is set each year according to the prevailing market price and is not to exceed the price that Duracell paid its other suppliers. Duracell's purchases from Kerr-McGee * * *.

Lost sales and lost revenues

* * * U.S. producers, * * *, submitted a total of 11 lost sales allegations and 6 allegations of lost revenues to competition from imports from Greece and Japan during the period covered by the investigations. 2/ The lost sales allegations totaled approximately $*** million and involved approximately *** tons of EMD; the lost revenue allegations involved *** tons of EMD and totaled approximately $*** million. All of the lost sales and four lost-revenue allegations concerned imports from Japan; * * * reported that the remaining two lost-revenue allegations concerned imports from either Japan or Greece. 3/ Staff contacted all three of the purchasers named in these allegations and a summary of the information follows.

* * * was named by * * * in 8 lost sales allegations, totaling approximately $*** million, allegedly due to competition from lower priced Japanese EMD. * * * alleged that it offered, * * *, to sell alkaline EMD to * * * in * * * at prices of $***, $***, and $*** per pound, but * * * chose to purchase Japanese EMD because it was lower priced. * * * alleged that it offered its EMD at prices of $*** per pound for shipment * * *, and prices of $***, $***, $***, and $*** per pound for shipment * * *. * * * claims to have offered its EMD for $*** and $*** per pound, for delivery * * *. * * * denies that its purchasing decision was based on price. 4/ * * * stated that * * * chose to purchase Japanese EMD because it was a better quality product. 5/ * * * stated that because of * * *, * * * must * * *. * * *. 6/

* * * was named by * * * in three lost-sales allegations involving lower priced EMD from Japan; these lost-sales allegations totaled approximately $*** million. * * * bid $*** in two of these instances and $*** in the third. One

---

1/ * * *. As prices of Japanese material steadily increased, Duracell decided to work with the domestic producers to improve the quality of their products. Duracell increased the quantity of its purchases of U.S.-produced EMD to the point at which it was buying only domestic EMD in 1986 and 1987. (Postconference brief of Duracell, pp. 5-6.)

2/ The Commission received no allegations of either lost sales or lost revenues due to competition from imports from Ireland.

3/ * * *.

4/ * * *.

5/ Staff meeting * * *.

6/ * * *. * * *.

of these $*** bids, made in * * *, was for * * *. The remaining two bids were made in * * * for shipment of EMD * * *. 1/ * * * also alleged two instances of lost revenues to * * *; * * * stated that it had to lower its price for EMD from $*** per pound to $*** per pound in * * *, and from $*** per pound to $*** per pound in * * *. * * * did not specifically confirm or deny these allegations but did state that the Japanese have been aggressive in pricing. According to * * *, no one firm has been a price leader during the period of investigation; prices have decreased over the period for both domestic and foreign suppliers. * * * stated that * * * has purchased EMD from * * *. * * *. * * * stated that * * * uses the * * * and * * * material for * * *, and that it is * * *. * * * added that he does not believe that there is any quality difference between the Japanese and the domestic product.

* * *, was named by * * * in four lost revenue allegations totaling $*** million. * * * alleged that it had to lower its EMD price from $*** to $*** per pound for shipments in * * * and from $*** to $*** per pound for * * * in order to sell EMD to * * *. 2/ * * * alleged that it was necessary to lower EMD prices from $*** to $*** per pound for shipments during * * *, and from $*** to $*** for * * * shipments. * * * stated that * * *. 3/ In late 1985 * * *. 4/ * * *. 5/

* * * stated that * * *. 6/ * * *. 7/ * * *.

* * * stated that * * * purchased * * *. * * * explained that * * * quality of * * *, * * * quality is lower than that of other suppliers. * * * cannot * * *. * * * purchase prices for * * * were $*** for domestic EMD and $*** for Japanese EMD; * * * stated that the * * *.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1985-March 1988 the nominal value of the Irish pound and the Japanese yen appreciated 66.1 percent and 101.3 percent against the U.S. dollar respectively. The value of the currency of Greece registered an overall appreciation equivalent to 0.5 percent in that period (table 25). 8/ Adjusted for relative movements in producer price indices, the real value of the Irish pound and the Japanese yen achieved overall respective appreciations equivalent to 72.1 percent and 68.4 percent as of the first quarter of 1988 relative to January-March 1985 levels. The Greek drachma appreciated 36.8 percent in real terms as of the fourth quarter of 1987 with respect to the January-March 1985 level. 9/

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *. * * *.
6/ * * *.
7/ * * *.
8/ International Financial Statistics, June 1988.
9/ The most recent real exchange-rate data for the currency of Greece are for January-March 1985 through October-December 1987.

Table 25
Exchange rates: 1/ Nominal exchange-rate equivalents of selected currencies in U.S. dollars, real exchange-rate equivalents, and producer price indicators in specified countries, 2/ indexed by quarters, January 1985-March 1988

Period	U.S. producer price index	Greece			Ireland			Japan		
		Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/	Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/	Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/
			--US dollars/drachma--			--US dollars/pound--			--US dollars/yen--	
1985:										
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.1	103.0	99.0	102.0	100.8	106.0	106.7	98.8	102.8	101.5
July-Sept..	99.4	106.0	100.9	107.6	100.8	114.5	116.2	97.5	108.0	106.0
Oct.-Dec...	100.0	117.9	90.4	106.6	100.3	125.0	125.4	94.7	124.4	117.8
1986:										
Jan.-Mar...	98.5	123.8	93.0	116.9	100.8	135.1	138.2	92.8	137.2	129.2
Apr.-June..	96.6	124.4	95.4	122.8	100.7	141.5	147.5	89.4	151.5	140.1
July-Sept..	96.2	125.1	98.9	128.6	100.3	142.3	148.4	87.0	165.4	149.7
Oct.-Dec...	96.5	130.0	97.3	131.1	100.1	141.8	147.2	86.1	160.8	143.5
1987:										
Jan.-Mar...	97.7	133.8	100.1	137.1	101.2	151.7	157.3	85.6	168.2	147.4
Apr.-June..	99.2	137.7	100.2	139.0	102.7	154.8	160.2	84.9	180.6	154.5
July-Sept..	100.3	137.5	96.4	132.2	103.6	152.1	157.0	86.0	175.4	150.2
Oct.-Dec...	100.8	136.8	100.8	136.8	104.3	163.4	169.0	89.2	189.7	167.9
1988: Jan.-Mar.....	101.2	4/	100.5	4/	104.9	166.1	5/ 172.1	84.7	201.3	168.4

1/ Exchange rates expressed in U.S. dollars per unit of foreign currency.
2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indices presented in line 63 of the International Financial Statistics.
3/ The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in Producer Price Indices in the United States and the respective foreign country. Producer prices in the United States increased 1.2 percent between January 1985 and March 1988 compared with a 15.3-percent decrease in Japan, a 4.9-percent increase in Ireland, and a 36.8-percent increase in Greece as of October-December 1987, the last period for which its producer price index is reported.
4/ Not available.
5/ Data are derived from Irish producer price indices reported for January-February only.

Source: International Monetary Fund, International Financial Statistics, June 1988.

Note.--January-March 1985=100.0.

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF PRELIMINARY ANTIDUMPING INVESTIGATIONS

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-406-408 (Preliminary)]

Electrolytic Manganese Dioxide from Greece, Ireland, and Japan

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary antidumping investigations and scheduling of a conference to be held in connection with the investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-406-408 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Greece, Ireland, and Japan of electrolytic maganese dioxide (EMD), provided for in item 419.44 of the Tariff Schedules of the United States,[1] that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by July 15, 1988.

[1] EMD is also provided for in subheading 2820.10.00 of the proposed Harmonized Tariff Schedule of the United States (USITC Pub. 2030).

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: May 31, 1988.

FOR FURTHER INFORMATION CONTACT: George L. Deyman (202-252-1193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background—These investigations are being instituted in response to a petition filed on May 31, 1988, by Chemetals, Inc., Baltimore, MD, and Kerr-McGee Chemical Corp., Oklahoma City, OK.

Participation in the investigations—Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference—The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on June 20, 1988, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact George Deyman (202-252-1103) not later than June 16, 1988, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations 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.

Written submissions—Any person may submit to the Commission on or before June 22, 1988, a written statement of information pertinent to the subject of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary of the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: June 2, 1988.

[FR Doc. 88-12980 Filed 6-7-88; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

CALENDAR OF WITNESSES AT THE COMMISSION'S PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-406-408 (Preliminary)

ELECTROLYTIC MANGANESE DIOXIDE FROM GREECE, IRELAND, AND JAPAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigations on June 20, 1988, in the Hearing Room of the USITC Building, 500 E Street, SW., Washington, DC.

In support of the imposition of antidumping duties

Drinker, Biddle & Reath--Counsel
Washington, DC
on behalf of--

Kerr-McGee Chemical Corp.

Mr. Richard Wohletz, Superintendent of Quality Control and Shipping, Henderson Plant, Kerr-McGee Chemical Corp.
Mr. W. P. Woodward, Marketing Manager, Electrolytics Products Division, Kerr-McGee Chemical Corp.

W.N. Harrell Smith, IV--OF COUNSEL

Squire, Sanders & Dempsey--Counsel
Washington, DC
on behalf of--

Chemetals, Inc.

Mr. W. Dwight Glover, Product Manager, EMD, Chemetals, Inc.

Ritchie T. Thomas)
William D. Kramer) --OF COUNSEL

Dr. James R. Burrows, Vice President, Charles River Associates, Inc., Boston, MA

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties

Marks Murase & White--Counsel
Washington, DC
on behalf of--

Mitsui Mining & Smelting Co., Ltd., Mitsui Denman (Ireland) Ltd., and Mitsui & Co. (USA), Inc.

Matthew J. Marks)
Ramon P. Marks) --OF COUNSEL

Sidley & Austin--Counsel
Washington, DC
on behalf of--

Eveready Battery Co., Inc.

Mr. Cliff D. Aldridge, Director of Purchasing, Eveready Battery Co., Inc.
Mr. John P. Grady, Manager of Quality, Worldwide, Alkaline Battery Systems, Eveready Battery Co., Inc.

Nels J. Ackerson)
Richard B. Dagen) --OF COUNSEL

Weil, Gotshal & Manges--Counsel
Washington, DC
on behalf of--

Tosoh Corp., Tosoh Hellas A.I.C., Mitsubishi Corp., and Mitsubishi International Corp.

A. Paul Victor)
Jeffrey P. Bialos) --OF COUNSEL

Mr. John G. Reilly, Vice President, Public Policy and Management Group, Temple, Barker, & Sloane, Washington, DC

APPENDIX C

NOTICE OF THE DEPARTMENT OF COMMERCE'S INITIATION OF ANTIDUMPING INVESTIGATIONS

International Trade Administration

[A-484-801]

Initiation of Antidumping Duty Investigation; Electrolytic Manganese Dioxide From Greece

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of electrolytic manganese dioxide (hereinafter referred to as EMD) from Greece are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of EMD materially injure, or threaten materiel injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before July 15, 1988. If that determination is affirmative, we will make a preliminary determination on or before November 7, 1988.

EFFECTIVE DATE: June 27, 1988.

FOR FURTHER INFORMATION CONTACT: Rick Herring, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-0187.

SUPPLEMENTARY INFORMATION:

The Petition

On May 31, 1988, we received a petition filed in proper form by Chemetals Inc. and Kerr-McGee Chemical Corporation on behalf of the domestic EMD industry. In compliance with the filing requirements of 19 CFR 353.36, petitioners allege that imports of EMD from Greece 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 Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

The petitioners have alleged that they have standing to file the petition. Specifically, petitioners have alleged that they are interested parties as defined under section 771(9)(C) of the Act, and that they have filed the petition on behalf of the U.S. industry manufacturing the product that is subject to this investigation.

If any interested party as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act wishes to register support of or opposition to this petition, please file written notification with the Commerce official cited in the "For Further Information Contact" section of this notice.

United States Price and Foreign Market Value

Petitioners presume that the prevailing price for Greek EMD in the U.S. market is the same as the price for Japanese EMD in the United States. Therefore, petitioners' estimate of United States price was based on prices for EMD produced in Japan and sold in the United States. Adjustments were made for ocean freight, primage, marine insurance, container handling cost, U.S. brokerage and handling, customs duty, and trading company mark-up.

Petitioners have calculated foreign market value (FMV) by applying the special rule for certain multinational corporations contained in Section 773(d) of the Act. Since petitioners allege that Greek home market sales are inadequate for comparison purposes, they have calculated foreign market value based on the sales price of EMD sold in Japan by the Greek producer's related affiliate in Japan. However, a comparison of the sales data provided in the petition indicate that Greek home market sales may be an adequate basis for calculating foreign market value.

Petitioners have also calculated foreign market value based on petitioners' estimate of the constructed value of Greek EMD as derived from the U.S. EMD industry cost experience adjusted for known differences in manufacturing costs. Therefore, for purposes of this initiation, we have used constructed value as foreign market value.

Based on a comparison of United States price and foreign market value, petitioners allege a dumping margin of approximately 48 percent.

Petitioners have alleged that home market sales were made below the cost of production. Our analysis of the cost information provided in the petition, which have been adjusted to reflect known differences between the petitioners' and Greek manufacturer's costs, indicates that there is a reasonable basis to believe or suspect that home market prices are below the cost of production.

Petitioners also allege that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of EMD from Greece.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on EMD from Greece and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of EMD from Greece are being, or are likely to be, sold in the United States at less than fair value. As part of this investigation, we will determine whether the products under investigation are being sold in the home market at less than the cost of production. We will also make a

determination as to whether critical circumstances exist with respect to the subject merchandise. If our investigation proceeds normally, we will make our preliminary determination by November 7, 1988.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System (HS). In view of this proposal, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230. Additionally, all Customs offices have reference copies and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The product covered by this investigation is electrolytic manganese dioxide from Greece currently provided for under TSUSA item number 419.4420 and currently classifiable under HS item number 2820.10.000.

EMD is manganese dioxide (Mno_2) that has been refined in an electrolysis process. The subject merchandise is an intermediate product used in the production of dry cell batteries. EMD is sold in three physical forms, powder, chip or plate form, and two grades, akaline and zinc chloride. EDM sold in all three forms and both grades are tentatively included within the scope of the investigation.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by July 15, 1988, whether there is a reasoanble indication that imports of EMD from Greece materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

June 20, 1988.

Jan W. Mares,

Assistant Secretary for Import Administration.

[FR Doc. 88-14445 Filed 6-24-88; 8:45 am]

BILLING CODE 3510-DS-M

[A-419-801]

Initiation of Antidumping Duty Investigation; Electrolytic Manganese Dioxide From Ireland

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of electrolytic manganese dioxide (EMD) from Ireland are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of EMD materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before July 15, 1988. If that determination is affirmative, we will make a preliminary determination on or before November 7, 1988.

EFFECTIVE DATE: June 27, 1988.

FOR FURTHER INFORMATION CONTACT: Rick Herring, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-0187.

SUPPLEMENTARY INFORMATION:

The Petition

On May 31, 1988, we received a petition filed in proper form by Chemetals Inc. and Kerr-McGee Chemical Corporation on behalf of the domestic EMD industry. In compliance with the filing requirements of 19 CFR 353.36, petitioners allege that imports of EMD from Ireland 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 Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

The petitioners have alleged that they have standing to file the petition. Specifically, petitioners have alleged that they are interested parties as defined under section 771(9)(C) of the Act and that they have filed the petition on behalf of the U.S. industry manufacturing the product that is subject to this investigation.

If any interested party as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act wishes to register support of or opposition to this petition, please file written notification with the Commerce official cited in the "For Further Information Contact" section of this notice.

United States Price and Foreign Market Value

Petitioners presume that the prevailing price for Irish EMD in the U.S. market is the same as the price for Japanese EMD in the United States. Therefore, petitioners' estimate of United States price was based on prices for EMD produced in Japan and sold in the United States. Adjustments were made for container handling cost, ocean freight, marine insurance, U.S. brokerage and handling, customs duty, and trading company mark-up.

Petitioners have calculated foreign market value by applying the "special rule for certain multinational corporations" contained in section 773(d) of the Act. Since petitioners allege that Irish home market sales are inadequate for comparison purposes, FMV was based on the sales price of EMD sold in Japan by the Irish producer's related affiliate in Japan. Adjustments were made for domestic delivery and trading company mark-up.

Based on a comparison of United States prices and foreign market value, petitioners allege a dumping margin of approximately 120 percent.

Petitioners also allege that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of EMD from Ireland.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on EMD from Ireland and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of EMD from Ireland are being, or are likely to be, sold in the United States at less than fair value. We will also make a determination as to whether critical circumstances exist with respect to the subject merchandise. If our investigation proceeds normally, we will make our preliminary determination by November 7, 1988.

Scope of Investigation

The Unites States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System (HS). In view of this proposal, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230. Additionally, all Customs offices have reference copies and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The product covered by this investigation is electrolytic manganese dioxide from Ireland currently provided for under TSUSA item number 419.4420 and currently classifiable under HS item number 2820.10.0000.

EMD is manganese dioxide (MnO_2) that has been refined in an electrolysis process. The subject merchandise is an intermediate product used in the production of dry cell batteries. EMD is sold in three physical forms, powder, chip or plate form, and two grades, akaline and zinc chloride. EMD sold in all three forms and both grades are tentatively included within the scope of the investigation.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by July 15, 1988, whether there is a reasonable indication that imports of EMD from Ireland materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

Jan W. Mares,

Assistant Secretary for Import Administration.

June 20, 1988.

[FR Doc. 88-14440 Filed 6-24-88; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-806]

Initiation of Antidumping Duty Investigation; Electrolytic Manganese Dioxide From Japan

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of electrolytic manganese dioxide (hereinafter referred to as EMD) from Japan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of EMD materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before July 15, 1988. If that determination is affirmative, we will make a preliminary determination on or before November 7, 1988.

EFFECTIVE DATE: June 27, 1988.

FOR FURTHER INFORMATION CONTACT: Rick Herring, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-0187.

SUPPLEMENTARY INFORMATION:

The Petition

On May 31, 1988, we received a petition filed in proper form by Chemetals Inc. and Kerr-McGee Chemical Corporation on behalf of the domestic EMD industry. In compliance with the filing requirements of 19 CFR 353.36, petitioners allege that imports of EMD from Japan 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 Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

The petitioners have alleged that they have standing to file the petition. Specifically, petitioners have alleged that they are interested parties as defined under section 771(9)(C) of the Act, and that they have filed the petition on behalf of the U.S. industry manufacturing the product that is subject to this investigation.

If any interested party as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act wishes to register support of or opposition to this petition, please file written notification with the Commerce official cited in the "For Further Information Contact" section of this notice.

United States Price and Foreign Market Value

Petitioners' estimate of United States price was based on prices for EMD produced in Japan and sold in the United States, less foreign inland freight, ocean freight, marine insurance, U.S. brokerage and handling, customs duty, and trading company mark-up.

Petitioners' estimate of foreign market value was based on Japanese home market prices less domestic delivery and trading company mark-up.

Based on a comparison of United States prices and foreign market value,

petitioners alleged a dumping margin of approximately 126 percent.

Petitioners also allege that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of EMD from Japan.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petiton is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on EMD from Japan and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of EMD from Japan are being, or are ikely to be, sold in the United States at less than fair value. We will also make a determination as to whether critical circumstances exist with respect to the subject merchandise. If our investigation proceeds normally, we will make our preliminary determination by November 7, 1988.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the Unitd States to this Harmonized System (HS). In view of this proposal, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remais dispositive.

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Notification of ITC

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Preliminary Determination by ITC

The ITC will determine by July 15, 1988, whether there is a reasonable indication that imports of EMD from Japan materially injure, or threaten material injury to, a U.S industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

June 20, 1988.

Jan W. Mares,

Assistant Secretary for Import Administration.

[FR Doc. 88-14447 Filed 6-24-88; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX D

COMMENTS RECEIVED FROM PRODUCERS ON THE IMPACT OF IMPORTS FROM GREECE, IRELAND, AND JAPAN ON THEIR GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

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