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(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 1264/2006

of 21 August 2006

terminating the investigations concerning the anti-dumping measures applicable to imports of silicon carbide originating in the Russian Federation and Ukraine and imposing a definitive anti-dumping duty on imports of silicon carbide originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EC) No 384/96

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community [1] (the basic Regulation) and in particular Articles 11(2) and 11(3) thereof,

Having regard to the proposal submitted by the Commission after having consulted the Advisory Committee,

Whereas:

1. PROCEDURE

1.1. Previous investigations, measures in force and on-going investigations

(1) By Regulation (EC) No 821/94 [2], following an expiry review in accordance with Article 14 and 15 of Regulation (EEC) No 2423/88 [3], the Council prolonged the imposed definitive anti-dumping duties on imports of silicon carbide (SiC) originating in the People's Republic of China (PRC), Poland, the Russian Federation (Russia) and Ukraine. At the same time, the Commission, by Decision 94/202/EC [4], accepted an undertaking offered by the Government of Russia, in conjunction with V/O Stankoimport, Moscow, Russia.

(2) In May 2000, by Regulation (EC) No 1100/2000 [5], the Council again prolonged the definitive anti-dumping duty on imports of SiC originating in the PRC, Russia and Ukraine following an expiry review and also prolonged the undertaking offered by the Russian government in conjunction with V/O Stankoimport, Moscow, Russia accepted by Commission Decision 94/202/EC.

(3) The investigation mentioned in recital 1 leading to the imposition of definitive anti-dumping duties and the acceptance of undertakings from certain exporters concerned by this investigation, and the expiry reviews concluded in 1994 and 2000 mentioned in recitals 1 and 2 will hereinafter be referred as to 'the original investigations'.

(4) In 2004, by Regulation (EC) No 991/2004, the Council provided for the exemption from the anti-dumping duties of imports into the new Member States that acceded to the European Union on 1 May 2004 (the EU-10) made under the terms of special undertaking offers (enlargement undertakings), and authorised the Commission to accept those enlargement undertakings. On this basis, by Decisions 2004/498/EC [6] and 2004/782/EC [7], the Commission accepted the undertakings offered by the Ukrainian exporting producer Open Joint Stock Company 'Zaporozhsky Abrasivny Combinat'. The acceptance of this undertaking expired on 20 May 2005.

[1] OJ L 56, 6.3.1996, p. 1. Regulation as last amended by Regulation (EC) No 2117/2005 (OJ L 340, 23.12.2005, p. 17).
[2] OJ L 94, 13.4.1994, p. 21. Regulation as last amended by Regulation (EC) No 1786/97 (OJ L 254, 17.9.1997, p. 6).
[3] OJ L 209, 2.8.1988, p. 1.
[4] OJ L 94, 13.4.1994, p. 32.
[5] OJ L 125, 26.5.2000, p. 3. Regulation as amended by Regulation (EC) No 991/2004 (OJ L 182, 19.5.2004, p. 18).
[6] OJ L 183, 20.5.2004, p. 88.
[7] OJ L 344, 20.11.2004, p. 37.

(5) In January 2004 the Commission initiated a partial interim review ([8]) requested by Zaporozhsky Abrasivny Combinat, the Ukrainian exporting producer. The applicant had alleged that following a significant change of circumstances it should be granted market economy treatment (MET) and that its dumping margin was significantly below the level of the measures in force. However, following an investigation, it was found that the company did not meet the criteria to be granted MET (Article 2(7)(c) of Regulation (EC) No 384/96 and the investigation was subsequently terminated through Council Regulation (EC) No 779/2005 ([9]).

(6) Finally, on 30 June 2005 ([10]), the Commission initiated an anti-dumping proceeding concerning imports of SiC originating in Romania, further to a complaint lodged by the European Chemical Industry Council (CEFIC) on behalf of producers representing 100 % of the total Community production of SiC. However, further to the withdrawal of the complaint by CEFIC on 1 March 2006, the investigation was terminated by Commission Decision 2006/423/EC ([11]).

1.2. **Request for an expiry review**

(7) Following the publication of a notice of impending expiry of the anti-dumping measures in force of SiC originating in the PRC, Russia and Ukraine ([12]), the Commission received, on 24 February 2005, a request to review these measures pursuant to Article 11(2) of the basic Regulation. At the same time, the Commission received also a request to review the form of the measures applicable to imports of the product concerned originating in Russia pursuant to Article 11(3) of the basic Regulation.

(8) These requests were lodged by the European Chemical Industry Council on behalf of producers representing 100 % of the total Community production of SiC. The request for an expiry review was based on the grounds that the expiry of the measures would be likely to result in a continuation or recurrence of dumping and injury to the Community industry. The request for an interim review was based on the fact that the form of the measures would be inappropriate and would not eliminate the injurious effects of the dumping.

(9) Having determined, after consulting the Advisory Committee, that sufficient evidence existed for the initiation of an expiry review pursuant to Articles 11(2) and an interim review pursuant to Article 11(3) of the basic Regulation, the Commission initiated both reviews on the same date ([13]).

1.3. **Investigation**

(10) The Commission officially advised the exporting producers, importers, raw material producers, users known to be concerned and their associations, the representatives of the exporting countries and the Community producers of the initiation of the expiry and the interim review. Interested parties were given the opportunity to make their views known in writing and to request a hearing within the time limit set out in the notice of initiation.

(11) In view of the large number of Chinese exporting producers and importers in the Community not related to an exporting producer in one of the countries concerned, it was considered appropriate, in conformity with Article 17 of the basic Regulation, to examine whether sampling should be used. In order to enable the Commission to decide whether sampling would indeed be necessary and, if so, to select a sample, the above parties were requested, pursuant to Article 17(2) of the basic Regulation, to make themselves known within two weeks of the initiation of the proceeding and to provide the Commission with the information requested in the notice of initiation.

(12) No Chinese exporting producer submitted the requested information and none cooperated in the present proceeding. It was thus decided that sampling was not necessary with regard to the Chinese producers.

(13) Six unrelated importers in the Community provided the information requested in the notice of initiation and expressed their willingness to cooperate in the further investigation. From the above six importers, three companies were selected for the sample. These importers represented the largest representative volume of imports of known importers in the Community (98 %), which could be investigated within the time available.

([8]) OJ C 3, 7.1.2004, p. 4
([9]) OJ L 131, 25.5.2005, p. 18.
([10]) OJ C 159, 30.6.2005, p. 4.
([11]) OJ L 168, 21.06.2006, p. 37.
([12]) OJ C 254, 14.10.2004, p. 3.
([13]) OJ C 129, 26.5.2005, p. 17.

(14) Questionnaires were therefore sent to the three sampled Community importers, to two Community producers, to 18 Community users, to 16 raw material suppliers and to the two known exporting producers in the Ukraine and in the Russian Federation. In addition, two producers in Brazil, which was selected as the potential analogue country, were contacted and received a questionnaire.

(15) Full replies to the questionnaires were received from the three sampled Community importers, seven users, two raw material producers and two exporting producers in the countries concerned, as well as from two producers in the analogue country.

(16) The Commission sought and verified all the information deemed necessary for its investigation, and carried out verification visits at the premises of the following companies:

Community producers:

— Kollo Silicon carbide BV (Netherlands), ESK-SIC GmbH (Germany),

— Navarro SiC, SA (Spain);

Producers in the exporting countries:

— JSC Zaporozhsky Abrasivny Combinat, Zaporozhsky (Ukraine),

— JSC Volzhsky Abrasive Combinat, Volzhsky (Russia);

Producers in the analogue country:

— Saint-Gobain Materials Cerámicas Ltda, Minas Gerais (Brazil),

— Treibacher Schleifmittel Brasil Ltda, Sao Paolo (Brazil);

Importers in the Community:

— Imexco-Ullrich GmbH (Germany),

— Smyris Abrasivi (Italy);

Users the Community:

— Morganite Crucible Limited (United Kingdom),

— TGA Ltd (Czech Republic).

(17) The investigation regarding the likelihood of a continuation or recurrence of dumping and injury covered the period from 1 April 2004 to 31 March 2005 (investigation period or IP). The examination of the trends relevant for the assessment of a likelihood of a continuation or recurrence of injury covered the period from 1 January 2001 up to the end of the IP (period considered).

(18) All the parties concerned were informed of the essential facts and considerations on the basis of which the conclusions of this review were based. They were also granted a period within which to make representations subsequent to this disclosure. The representations received, within the deadlines, were carefully considered and where deemed appropriate, taken into account for the findings.

2. **PRODUCT CONCERNED AND LIKE PRODUCT**

2.1. **Product concerned**

(19) The product concerned is the same as that in the original investigations which led to the imposition of measures currently in force, i.e. SiC. SiC is currently classifiable within CN code 2849 20 00.

(20) SiC is produced by heating silicon and coke (or petroleum coke) at high temperatures (up to 2 000 °C). The output of this process is crude SiC which is usually further processed for its final end-uses. The production process of SiC is such that the output automatically comprises a variety of grades related to different content concentration of silicon. The different grades can be segregated into two main grades: crystalline and metallurgical. The crystalline grade is considered to be of higher quality because it has higher silicon content. The crystalline grade is further classified under the types black and green.

(21) The crystalline grade is normally used in the manufacturing of abrasive tools, grinding wheels, high-quality refractory products, technical ceramics, while the metallurgical grade is normally used in foundry and blast-furnace operations as a silicon carrier. As in the previous investigations, both grades have to be considered as forming one product for the purpose of this investigation.

2.2. **Like product**

(22) As established in the original investigations, the current investigation confirmed that the product concerned and the products manufactured and sold by the exporting producers on their domestic markets, as well as those manufactured and sold by the Community producers on the Community market and by the producer in the analogue country on the domestic market of the analogue country have the same basic physical and chemical characteristics and end uses and are therefore considered to be like products within the meaning of Article 1(4) of the basic Regulation.

3. LIKELIHOOD OF A CONTINUATION AND/OR RECURRENCE OF DUMPING

3.1. **Preliminary remarks**

(23) In this expiry review, full cooperation from the two known producers in Ukraine and the Russian Federation was obtained. However, as mentioned in recital 12, no producer came forward from the PRC.

3.2. **Dumping of imports during the investigation period**

3.2.1. *Analogue country*

(24) Since the Ukraine ([14]) and the PRC were not considered as market economy countries during the investigation period (and in the preceding investigations), normal value had to be established in accordance with Article 2(7)(a) of the basic Regulation, i.e. based on information obtained in a market economy third country where the product was produced and sold domestically. Moreover, it is recalled that the exporting producer in Ukraine had not been able to obtain MET in an interim review which was concluded just before the initiation of this expiry review (see recital 5).

(25) In the initiation of this expiry review, it was envisaged to use Brazil as an analogue country from where information about production costs and domestic sales could be obtained. It is recalled that Brazil has also been used in the previous expiry review.

(26) The investigation has confirmed that Brazil is still an appropriate analogue country for the following reasons:

([14]) The Ukraine was granted Market Economy Status through Council Regulation (EC) No 2117/2005 (OJ L 340, 23.12.2005, p. 17). The new status only applies to investigations initiated as from 1 January 2006.

(27) First, the size of its domestic market makes Brazil a representative country for the establishment of normal value for the two countries concerned. Second, domestic prices in Brazil are governed by normal market forces given the level of demand in the market and the existence of competing producers. Third, the basic physical and chemical characteristics of the like product produced in Brazil can be considered to be identical to the product exported from the two countries concerned. Finally, no arguments against the use of Brazil as an analogue country were put forward.

(28) Therefore it was concluded that Brazil was a reasonable and appropriate choice as an analogue country in order to establish normal value for imports of SiC originating in the PRC and the Ukraine.

3.2.2. *Normal value*

3.2.2.1. Normal value for exporting producers in the PRC and the Ukraine

(29) It was first examined whether the domestic sales by the Brazilian producers, overall and per product type, were made at volumes which were representative as compared to the volumes exported by the PRC and the Ukraine respectively.

(30) It was found that the volumes of domestic sales by the Brazilian producers exceeded considerably the export sales to the Community by exporting producers in the PRC and the Ukraine, both overall and by product type.

(31) It was then examined whether the domestic sales of each of the two cooperating producers in Brazil, Saint-Gobain Materials Cerámicas Ltda and Treibacher Schleifmittel Brasil Ltda, to independent customers had been made in the ordinary course of trade, pursuant to Article 2(4) of the basic Regulation.

(32) It was found that, for both companies, the weighted average selling price of all sales during the IP, was higher than the weighted average unit cost of production. Therefore, all domestic sales were regarded as having been made in the ordinary course of trade. In addition, in order to ensure a fair comparison between prices in Brazil and normal value in the PRC and the Ukraine, adjustments were made in order to take into account of any differences in PCN or level of trade.

(33) In accordance with Article 2(1) of the basic Regulation, normal value was based on the weighted average prices of the two Brazilian producers' sales to independent customers on their domestic market.

(34) Subsequent to the definitive disclosure, CEFIC questioned the accuracy of the determination of the normal value claiming that according to their information, sales prices in the Brazilian domestic market were above the export price from the Ukraine to the Community market. However, this claim was not supported by substantiated documentary evidence and had to be rejected. Indeed, the adjustments mentioned in recital (32) above allowed ensuring fair calculation of normal value.

3.2.2.2. Normal Value for exporting producers in Russia

(35) It was first examined whether the volumes, overall and per product type, of domestic sales by the exporting producer in Russia were representative, i.e. represented at least 5 % of the volumes exported to the Community.

(36) It was found that, compared to the overall volume of sales, and for some of the product types, the volume of domestic sales represented at least 5 % of the volumes exported to the Community. For those product types where the volume of domestic sales was less than 5 % of the volumes exported to the Community, the normal value had to be constructed pursuant to Article 2(3) of the basic Regulation.

(37) For those product types where the volumes of domestic sales represented 5 % of the volumes exported, it was examined whether the domestic sales of the Russian producer to independent customers had been made in the ordinary course of trade, pursuant to Article 2(4) of the basic Regulation. This was done by establishing the proportion of domestic sales to independent customers, of each exported type of the product concerned, not sold at a loss on the domestic market during the investigation period.

(a) For those product types where more than 80 %, by volume, of sales on the domestic market were not below unit costs, i.e. where the average sales price of the product type concerned was equal to or higher than the average production cost for the product type concerned, normal value was calculated as the average price of all domestic sales of the product type in question irrespective of whether these sales were profitable or not.

(b) For those product types where at least 10 % but no more than 80 %, by volume, of sales on the domestic market were not below unit costs, normal value was calculated as the weighted average sales price of those transactions which were made at or above unit costs of the type in question.

(c) For those product types where less than 10 %, by volume, was sold on the domestic market at a price not below unit cost, it was considered that the product type concerned was not sold in the ordinary course of trade and therefore, normal value had to be constructed in accordance with Article 2(3) of the basic Regulation.

(38) Normal values were constructed in accordance with Article 2(6) of the basic Regulation on the basis of the manufacturing cost of the type concerned, to which was added an amount of selling, general and administrative (SG&A) expenses and a margin of profit. The amount of SG&A was that incurred by the exporting producer for the like product and the amount for profit equated to the average profit realised by the exporting producer on sales of the like product in the ordinary course of trade.

3.2.3. *Export price*

PRC

(39) As mentioned in recital 12, no exporting producers in the PRC cooperated in the investigation. As a result, export prices had to be established on the basis of facts available in accordance with Article 18(1) of the basic Regulation, i.e. information in the complaint.

Ukraine and Russia

(40) The export prices for exporting producers in Ukraine and Russia were established in accordance with Article 2(8) of the basic Regulation, on the basis of export prices actually paid or payable by independent customers in the Community.

(41) When calculating the export price for the Russian exporter for those transactions which were handled by Stankoimport (i.e. imported AD-free under the Quantitative Undertaking (QT)), all expenses incurred as a result of Stankoimport's involvement have been deducted in order to arrive at the export price at ex-works level.

(42) CEFIC contested the findings with regard to the export prices determined for Ukraine arguing that prices charged for Ukrainian imports would be much lower. In support of their claim, they submitted certain price offers. This claim, however, had to be rejected as price offers can not be taken into consideration without proof that the transaction(s) finally materialised. In any event, as mentioned at recital 40, export prices retained for dumping calculation were those charged by the exporting producer concerned. These prices were verified during the on spot investigation at the premises of the company concerned.

3.2.4. *Comparison*

(43) The normal values and the export prices were compared on an ex-works basis. In accordance with Article 2(10) of the basic Regulation, to achieve a fair comparison between the normal value and the export price, adjustments were made in respect of transport costs, level of trade and packing cost which were claimed and demonstrated to affect prices and price comparability.

3.2.5. *Dumping margin*

(44) In accordance with Article 2(11) and (12) of the basic Regulation, the dumping margin was established on the basis of a comparison of the weighted average normal value of each product type with the weighted average export price of the corresponding type.

PRC

(45) On the basis of facts available, in accordance with Article 18(1) of the basic Regulation, i.e. information in the complaint, the dumping margin has been established in the same order as the previous investigation, i.e. around 50 %.

Ukraine

(46) The dumping margin for exports of SiC from Ukraine during the IP was found to be below the *de minimis* threshold of Article 9(3) of the basic Regulation.

Russia

(47) It is recalled that Russia has a QT since 1986. The QT has enabled one Russian importer, Stankoimport, to import into the Community a fixed quantity (fixed in % of Community consumption) into the Community free of anti-dumping duties. Quantities above this threshold have been subject to anti-dumping duties. In the dumping calculations performed, no distinctions have been made between those quantities which were exported through the QT (77 %) and those which were subject to the antidumping duty (23 %).

(48) The dumping margin for exports of SiC from Russia during the IP was found to be below the *de minimis* threshold of Article 9(3) of the basic Regulation.

3.3. **Developments of imports should measures be repealed**

3.3.1. *PRC*

(49) As has already been explained, no exporting producers cooperated in this investigation. Thus, the likely scenario of what would happen if measures were allowed to lapse has been based on facts available, in particular the complaint and data from Comext (Comext is an electronic database of foreign trade of the European Communities).

Relationship between Chinese export prices to third countries and the price level in the Community

(50) The main third countries to which Chinese exports were directed during the IP were the United States of America and Japan. Information in the complaint suggests that Chinese cif-prices to the United States of America, for the grade 'Macro Black', expressed in euro, were in the range of EUR 650/tonne. Moreover, Chinese cif-prices to Japan for the grade 'Macro Green', expressed in euro, were in the range of EUR 770/tonne. Price statistics published in business journals supports the accuracy of these price quotations by Chinese exporters.

(51) Moreover, it was found that the average export prices from the PRC to the United States of America, as obtained from the Comext database, were significantly below the normal value obtained from the analogue country in this investigation, which indicates that these exports may also have been made at dumped prices during the investigation period.

(52) Given that the average price of the Community Industry (around EUR 1 000 'Macro Black' and around EUR 1 500 for 'Macro Green') is considerably higher, Chinese exporting producers would, in the absence of measures, have an important incentive to divert significant export quantities from their present third country markets to the Community market.

(53) It should also be recalled that Chinese exports of the product concerned to the EU were found to be dumped in the original investigation and continued to be dumped at the same high levels during the IP of the current investigation. There is no reason to believe that this behaviour would change.

(54) Moreover, the information available on normal value and prices to third countries, as explained above, supports the conclusion that there is likelihood that, if measures would lapse, Chinese exporters would continue their dumping practises.

(55) To conclude, there is likelihood that, should measures be repealed, Chinese exports which at present are destined to third country markets are redirected to the Community. Moreover, should measures be repealed, there is a clear risk for dumping of the quantities exported.

Unused capacities and stocks

(56) In the request for this review, CEFIC (referring to information collected and published in business journals) has estimated the total production capacity in the PRC to be between 600 000 and 700 000 tonnes. The actual production has been estimated to be around 440 000 tonnes, leaving an unused capacity of between 160 000 and 260 000 tonnes. There is no information about stocks.

(57) On the basis of the above, it is clear that exporting producers in the PRC have a significant spare capacity to utilise for increased production. To conclude, should measures be repealed, exporting producers would very likely start to utilise their significant unused capacity for exports to the Community.

3.3.2. *Russia*

(58) As the only known exporting producer in Russia has cooperated in this investigation, the likely scenario of what would happen if measures were allowed to lapse has been mainly based on information supplied by the exporting producer's verified reply to the questionnaire.

Relationship between prices in the Community and prices within Russia

(59) It should first be mentioned that the prevailing price level within the Community is already subject to a significant influence from imports from Russia given the QT in place, as the Russian exporter is already satisfying around 10 % of Community consumption.

(60) When comparing the prevailing price level on the domestic market in Russia with the prevailing price level in the Community, the price level in Russia is generally lower. However, given that the quantities that the Russian producer has been able to export free from antidumping duties under the QT were pre-set, the Russian producer has had an incentive to export the crystalline grades (triggering higher prices per tonne) to the Community, leaving metallurgical grades for its domestic market and for other destinations). Therefore the real price differential between the same grades, if any, would be smaller than what a comparison between average price levels suggests.

(61) To conclude, while the generally higher price level in the Community would normally trigger an increase in exports to the Community should measures be allowed to lapse, this scenario does not appear to be likely in the present case. Indeed, given the existence of the QT, the potential increase of imports of especially high-grade SiC should not be overestimated as the Russian exporter already has had the opportunity to export significant quantities of SiC and has had the incentive to export high-grade SiC. Thus, an increase of imports of SiC is likely to be limited both in quantities and in types of SiC (metallurgical grades) and would in any event in all likelihood not be at dumped prices.

Relationship between export prices to third countries and prices within Russia

(62) More than 75 % of the exports to third countries by the Russian producers are destined for the United States of America. When comparing the domestic prices and the export prices to the United States of America, the price levels of the exports to the United States of America are, on average, higher. It should be recognised, however, that the mix of grades of the products sold for export and those sold on the domestic market are probably different (likelihood of exports containing higher value-per-tonne grades to cover the transport costs involved), which makes it difficult to draw conclusions from such a comparison. Nevertheless, it is noted that these exports are not subject to antidumping measures and that there are no indications that such exports would be dumped.

Relationship between export price to third countries and the price level in the Community

(63) When comparing the Russian exporter's export prices to its main third country market, the United States of America, with the Russian exporter's export prices to the Community market, it is important to recall the QT in place. As explained above, given the pre-set quantities that the Russian exporter has been able to export to the EC, it has had an incentive to export high value-per-tonne grades to the Community market.

(64) Similarly and as explained in recital 62, it can be assumed that also the exports to the United States of America, given the transport costs involved, contain mainly high value-per-tonne grades. Thus, this puts the average selling price to the Community market and to the United States market on a reasonably comparable basis.

(65) Having compared the average selling price to the Community market with the average selling price to the market of the United States of America, the prices to the United States market have been found to be, on average, higher.

(66) To conclude, there seems to be no apparent incentive for the Russian producer to divert its quantities presently sold on its main export market, the United States, to the Community market, should measures be repealed.

Unused capacities and stocks

(67) The capacity of the exporting producer in Russia is limited to 62 000 tonnes. During the IP, it was found to work close to full capacity, having increased its utilisation rate during the reference period. The stocks were found to be normal for this kind of business.

(68) Given the technology used by the Russian producer (a technology using train cars as places of processing, which are marshalled between electricity installations and places for unloading/sorting), it is unlikely that the exporting producer would be able to expand in the near future.

(69) To conclude, should measures be allowed to lapse, there are no indications that the Russian producer would be able to increase its production in order to increase its exports to the Community.

3.3.3. *Ukraine*

(70) As the only known exporting producer in the Ukraine has cooperated in this investigation, the likely scenario of what would happen if measures were allowed to lapse has been mainly based on information supplied by the exporting producer's verified reply to the questionnaire.

Unused capacities and stocks

(71) The capacity of the exporting producer in Ukraine is limited to 23 000 tonnes. During the IP, it was found to work close to full capacity, having increased its utilisation rate during the reference period. The stocks were found to be normal for this kind of business.

(72) Given the technology used by the Ukrainian producer (same as the Russian producer which is explained in recital 68), it is unlikely that that the exporting producer would be able to expand in the near future.

(73) CEFIC claimed that the capacity of the exporting producer would be as high as 32 000 tonnes. However, this argument was based on hypothetical information without taking into considerations standstill periods for maintenance and repair, nor taking into account the specificities of the producing company concerned which is located in an urban area and submitted to environmental constraints. On these grounds, the capacity as established in recital 71 was confirmed and the claim by CEFIC had to be rejected.

(74) To conclude, should measures be allowed to lapse, there are no indications that the Ukrainian producer would be able to increase its production in order to increase its exports to the Community.

Relationship between prices in the Community and prices within the Ukraine and third countries

(75) When comparing the prevailing price level on the domestic market in the Ukraine with the prevailing price level in the Community, and prices to third countries, the price level in the Ukraine and to third countries are, on average, lower.

(76) However, a meaningful comparison between the Ukrainian market, third country markets and the Community market was not possible because the product mix is very different and average prices are therefore not comparable. Moreover, the domestic market in the Ukraine is limited in size and the Ukrainian producer is not able to produce all the various (high-value) grades as the Community producers.

(77) It could therefore not be established whether, should measures be allowed to lapse, the Ukrainian exporter would have an incentive to divert volumes from its domestic market or from its export markets to the Community market. However, in view of the findings on dumping, and in the light of the overall higher price level prevailing in the Community, it is concluded that, even if exports to the Community market increased, these exports would in all likelihood not be made at dumped prices. Moreover, the increase would in any event be limited (estimated at less than 10 000 tonnes), given the limited capacity of the Ukrainian exporter.

3.4. **Conclusions on likelihood of a continuation or recurrence of dumping**

3.4.1. *PRC*

(78) It is recalled that no exporting producers in the PRC have cooperated in the investigation.

(79) On the basis of facts available, it was found that Chinese exporters are still dumping and would be likely to continue their dumping practices towards the Community market should measures be allowed to lapse.

(80) Therefore, it was found that there is a likelihood of continuation of dumping by exporting producers in the PRC should measures be allowed to lapse.

3.4.2. *Ukraine*

(81) It is recalled that the Ukrainian exporter has been found not to export at dumped prices during the investigation period and there are no indications that such situation would change if measures were allowed to lapse.

(82) Furthermore, it was found that, although exports from the Ukraine to the Community may increase, should measures be repealed, such increase is expected to be limited. Indeed, given the limited capacity that the Ukrainian producer holds, this increase of exports to the Community is assumed to be less than 10 000 tonnes and would in all likelihood not be made at dumped prices.

(83) Therefore, it is considered that there is no likelihood of recurrence of dumping of imports originating in the Ukraine.

3.4.3. *Russian federation*

(84) It is recalled that during the investigation period, the Russian producer has been found not to export at dumped prices and there are no indications that such situation would change if measures were allowed to lapse.

(85) Furthermore, it is recalled that the Russian exporting producer has been able to supply the Community market with a fixed quantity of SiC through a QT for many years. The quantities exported through this channel have amounted to, during the IP, around 17 % of the Russian producer's total capacity. Thus, the Russian exporting producer is already well established on the market, i.e. a sudden increase of imports originating in Russia is therefore highly unlikely.

(86) Moreover, since the prices at which the Russian exporting producer has sold to third countries were found to be higher than those at which quantities were sold to the Community, the risk for trade diversion of significant quantities to the Community market appears to be relatively small.

(87) Finally, it was found that the Russian exporting producer was working close to full capacity and has a limited ability to increase its capacity.

(88) For these reasons, it is considered that there is no risk of recurrence of dumping of imports originating in the Russian Federation.

(89) Given the findings for Ukraine and Russia, the proceeding should be terminated against these countries.

4. DEFINITION OF THE COMMUNITY INDUSTRY

(90) The structure of the Community industry changed since the last expiry review, i.e. the former German producer Elektroschmelzwerk Kempten GmbH, München, split in two related companies, one located in the Netherlands and the other in Germany. Only the former is producing and processing the crude SiC, the latter one further processes SiC produced by Kollo Silicon carbide BV but the final product remains the like product. Moreover, ESK-SIC GmbH sells its own SiC but also SiC produced by Kollo Silicon carbide BV Therefore both companies are considered as forming one group.

4.1. **Community production**

(91) Within the Community, the like product is manufactured by two producers which constitute the total Community production within the meaning of Article 4(1) of the basic Regulation.

4.2. **Community industry**

(92) The following European Community producers have supported the request:

— Kollo Silicon carbide BV (Netherlands), with its related company ESK-SIC GmbH (Germany),

— Navarro SiC, SA (Spain).

(93) As above Community producers represent 100 % of the Community production of the like product, it is concluded that the complainant producers constitute the Community industry within the meaning of Articles 4(1) and 5(4) of the basic Regulation.

5. SITUATION ON THE COMMUNITY MARKET

5.1. **Preliminary remarks**

(94) The examination of the impact of the imports concerned on the Community industry included an evaluation of the economic factors and indices having a bearing on the state of the industry as listed in Article 3(5) of the basic Regulation.

5.2. **Consumption in the Community market**

(95) The apparent Community consumption was established on the basis of the volume of imports of the product concerned from the countries concerned and all other third countries and the volumes of sales in the Community market of the Community industry.

(96) The volume of imports was determined on the basis of Eurostat figures corresponding to the relevant CN code during the period considered.

(97) On this basis, Community consumption has slightly increased from 217 137 tonnes in 2001 to 226 450 tonnes in the IP, i.e. an increase by 4 % over the period considered. The trend is showed in table 1.

(98) The consumption trend did however not evolve steadily. It is noted that it first decreased from 2001 to 2003 where it fell by 10 %. From 2003 onwards, however, consumption increased again by more than 10 % up to the IP where it exceeded the level of 2001.

(99) The decrease at the beginning of the period considered is to a large extent explained by the replacement of SiC by other products such as ferro-silicone and industrial diamond, which were less expensive at that time.

(100) From 2003 onwards, however, in line with a price decrease of SiC, consumption increased again.

Table 1

	2001	2002	2003	2004	IP
Community consumption (tonnes)	217 137	205 231	194 486	218 919	226 450
Index	*100*	*95*	*90*	*101*	*104*

5.3. **Volume, market share and prices of imports from the PRC**

(101) The volumes and market shares of imports of the product concerned from the PRC developed as set out in table 2. Since the exporting producer in the PRC did not cooperate, the price and volume trends were based on information available in accordance with Article 18 of the basic Regulation. Given that no other more reliable information was available volume trends were based on Eurostat statistics.

(102) The volume of imports originating in the PRC amounted to 1 205 tonnes and represented a market share of 0,6 % in 2001. In 2002 the volume of imports increased slightly and reached a level of 1 467 tonnes, corresponding to a market share of 0,7 %, before declining to 651 tonnes during the IP, corresponding to a market share of 0,3 %.

(103) Prices of imports from the PRC decreased slightly. However, it should be noted that given the low quantities exported from the PRC, the export prices could not be considered as representative, as they may relate to very specific product types or very specific customers. Therefore no meaningful conclusion could be drawn on price trends on the basis of Eurostat figures. However, on the basis of the information submitted in the complaint regarding prices, it could be established that Chinese prices (ranging from EUR 624 to 1 814/tonne depending on the grade and the quality) were undercutting EC prices by more than 30 %.

Table 2

	2001	2002	2003	2004	IP
Volume of imports from the PRC (tonnes)	1 205	1 467	1 465	787	651
Market share of imports from the PRC	0,6 %	0,7 %	0,8 %	0,4 %	0,3 %

5.4. **Imports from other countries concerned by the present review**

(104) In order to present a complete picture of the situation on the Community market, the trends of imports of SiC from other countries were also examined. It should be noted, however, that, as regards prices, the data are not comparable given the differences in the product mix, resulting in huge price differentials.

5.4.1. *Russia*

(105) The evolution of imports from Russia is as follows:

Table 3

	2001	2002	2003	2004	IP
Volume of imports from Russia (tonnes)	21 901	24 368	21 061	20 457	21 810
Market share of imports from Russia	10,1 %	11,9 %	10,8 %	9,3 %	9,6 %
Prices of imports from Russia (EUR/tonne)	453	465	477	464	480
Index: 2001 = 100	*100*	*103*	*105*	*102*	*106*

(106) The volume of imports from Russia decreased slightly from 21 901 tonnes in 2001, corresponding to a market share of 10,1 %, to 21 810 tonnes in the IP, corresponding to a market share of 9,6 %. Average prices of imports from Russia increased by 6,0 % between 2001 and the IP, i.e. from EUR 453/tonne to EUR 480/tonne. A significant volume of imports originating in Russia were made out of the quantitative undertaking mentioned in recital 2. It is to be reminded that an anti-dumping duty of 23,3 % was applicable to all imports exceeding the anti-dumping-duty-free quantities fixed by the before mentioned undertaking.

5.4.2. *Ukraine*

(107) The evolution of imports from Ukraine is as follows:

Table 4

	2001	2002	2003	2004	IP
Volume of imports from Ukraine (tonnes)	4 956	6 760	7 829	8 491	7 718
Market share of imports from Ukraine	2,3 %	3,3 %	4 %	3,9 %	3,4 %
Prices of imports from Ukraine (EUR/tonne)	504	502	469	468	489
Index: 2001 = 100	*100*	*99*	*93*	*96*	*97*

(108) The volume of imports from Ukraine increased from 4 956 tonnes in 2001, corresponding to a market share of 2,3 %, to 7 718 tonnes in the IP, corresponding to a market share of 3,4 %. Average prices of imports from Ukraine decreased by 3,0 % between 2001 and the IP, i.e. from EUR 504/tonne to EUR 489/tonne. Except for a significant percentage of imports made within the quantitative undertaking mentioned in recital 4 between 2004 and 2005, an anti-dumping duty of 24 % was applicable to imports originating in Ukraine during the period considered.

5.5. **Imports from other third countries not concerned by the present review**

5.5.1. *Romania*

(109) As mentioned above in recital 6, on 30 June 2005, the Commission initiated an anti-dumping proceeding concerning imports of the same product originating in Romania, further to a complaint lodged by CEFIC. However, further to the withdrawal of the complaint by the complainant Community industry this investigation was terminated.

(110) The evolution of imports from Romania is as follows:

Table 5

	2001	2002	2003	2004	IP
Volume of imports from Romania (tonnes)	14 173	15 694	22 844	38 459	42 387
Market share of imports from Romania	6,5 %	7,6 %	11,7 %	17,6 %	18,7 %
Prices of imports from Romania (EUR/tonne)	439	468	465	445	456
Index: 2001 = 100	*100*	*107*	*106*	*101*	*104*

(111) The volume of imports from Romania rose from 14 173 tonnes in 2001, corresponding to a market share of 6,5 %, to 42 387 tonnes in the IP, corresponding to a market share of 18,7 %. Average prices of imports from Romania increased by 3,9 % between 2001 and the IP, i.e. from EUR 439/tonne to EUR 456/tonne.

5.5.2. *Norway*

(112) The evolution of imports from Norway is as follows:

Table 6

	2001	2002	2003	2004	IP
Volume of imports from Norway (tonnes)	60 496	43 400	32 520	38 160	38 550
Market share of imports from Norway	27,9 %	21,1 %	16,7 %	17,4 %	17,0 %
Prices of imports from Norway (EUR/tonne)	971	919	963	898	973
Index: 2001 = 100	*100*	*95*	*99*	*93*	*100*

(113) The volume of imports from Norway decreased from 60 496 tonnes in 2001, corresponding to a market share of 27,9 %, to 38 550 tonnes in the IP, corresponding to a market share of 17,0 %. Average prices of imports from Norway remained stable between 2001 and the IP, i.e. from EUR 971/tonne in 2001 to EUR 973/tonne during the IP.

5.5.3. *Other third countries not mentioned above*

(114) The evolution of imports from other third countries not mentioned above is as follows:

Table 7

	2001	2002	2003	2004	IP
Volume of imports from countries not mentioned above (tonnes)	44 473	52 143	48 354	44 804	48 271
Market share of imports from countries not mentioned above	20,5 %	25,4 %	24,9 %	20,5 %	21,3 %
Prices of imports from countries not mentioned above (EUR/tonne)	630	618	558	560	552
Index: 2001 = 100	*100*	*98*	*89*	*89*	*88*

(115) The volume of imports from other third countries increased slightly from 44 473 tonnes in 2001, corresponding to a market share of 20,5 %, to 48 271 tonnes in the IP, corresponding to a market share of 21,3 %. Average prices of imports from other third countries not mentioned above decreased from EUR 630/tonne in 2001 to EUR 552/tonne in the IP.

5.6. **Conclusion**

(116) The investigation revealed that imports from Russia and Ukraine remained relatively stable, in terms of market share as well as in terms of average prices. It further revealed that import quantities of Chinese SiC were too small to draw any meaningful conclusion on price trends for SiC of any grade. Therefore, information available to the Commission, i.e. the complaint, was used and revealed that Chinese prices were significantly undercutting EC prices.

(117) It also showed that imports from Romania practically replaced imports from Norway in quantitative terms as the market share of Romanian imports increased at similar levels than imports from Norway decreased. While imports from Norway were made at higher average prices than those of the Community industry (EUR 973/tonne) possibly due to the high quality grades, import prices from Romania were at significantly lower level (EUR 456/tonne). In this context it has to be noted, however, that imports from Romania refer almost exclusively to the less expensive metallurgical grade, so that no comparison with average prices from other countries can be made.

(118) As to the development of imports originating in other third countries, it can be noted that the average price followed a decreasing trend, whereas the quantity imported into the Community as well as the market share remained stable during the period considered.

6. **ECONOMIC SITUATION OF THE COMMUNITY INDUSTRY**

6.1. **Preliminary remark**

(119) One Community producer sold part of its output to a related producer which further processed SiC and sold it as the like product on the free market. In the following analysis, however, sales between these related parties have not been taken into account. In particular, it was considered that any parallel analysis of captive sales and sales on the free market is not necessary, since sales of the further processed goods remain sales of the like product. Thus, taking into consideration captive sales would lead to double counting. Likewise, any profit or loss made on the free market by the second producer for sales of the further processed SiC would be compensated by any profit or loss made by the first producer in the captive market, as both producers are considered as one economic entity.

6.2. **Production**

(120) Production in volume by the Community industry increased by 4 % during the period considered. Production went down in 2002, in line with a decrease of consumption. From 2002 onwards the production volume evolved positively.

6.3. **Production capacity and capacity utilisation rates**

(121) After a decrease in capacity utilisation between 2001 and 2002, capacity utilisation rates have slightly increased since that year and over the period considered by 3 percentage points. As capacity of production remained unchanged throughout the period considered, this development is in line with the development in production volume. Capacity utilisation was always above 75 % during the period considered.

6.4. **Sales prices and factors affecting domestic prices**

(122) Unit sales prices of the Community industry increased slightly between 2001 and the IP (less than 5 %). They reached an exceptional peak in 2002, but decreased since then to relatively stable levels slightly above the level of 2001. The peak in the Community's sales prices in 2002 is explained by an increase in production cost during the same period which the Community industry had to reflect in its sales prices accordingly. Subsequently, partly due to the decrease in the Community industry's production cost, partly due to the continued price pressure on the Community market, the Community industry's sales prices decreased again.

6.5. **Stocks**

(123) Stocks have slightly decreased over the period considered; i.e. by 1 %, although they increased significantly over the period 2002-2003 before decreasing to its level of 2001 during the IP. This increase has to be explained by the decrease in sales volume as explained in recital 124. From 2003 onwards, stocks decreased not only due to the increase in sales on the Community market but also to an increase of the Community industry's export sales. Notwithstanding this development, it was considered that the level of stocks has been kept at a very reasonable level during the entire period considered.

6.6. **Sales volume and market share**

(124) Sales of the like product by the Community industry on the Community market have overall declined by 4 % during the period considered. As Community consumption increased by 4 % during the period considered, such decrease of sales has been translated in a loss of market shares of the Community industry i.e. 2,6 %.

6.7. **Investments**

(125) Investments had an increasing trend and doubled over the period considered. It was found that investments concerned replacement, and maintenance but also development of products for new applications.

6.8. **Growth**

(126) Overall, it has to be noted that the Community industry's market shares in the free market fell (see recital 124), whereas the overall market grew by 4 %. The Community industry has therefore not been able to participate in the growth of the market.

6.9. **Employment and wages**

(127) Employment decreased by 7 % during the period considered. Total wages decreased by 2 % during the period considered. On the other hand the weighted average salary increased because severance payments had to be made for laid off workers. Moreover, in order to fully benefit from the investments made in terms of equipment, skilled workers had to be hired causing thus an increase in labour cost.

6.10. **Productivity**

(128) Productivity per employee, measured as output per employee, increased during the period considered by 12 %. This improvement in productivity mirrors the level of investments carried out in machinery as well as the reduction of employees.

6.11. **Cash flow, ability to raise capital**

(129) Cash flow increased during the period considered by 10 %.

(130) The Community producers did not face any problems to raise capital. They financed their activities through loans from related companies and banks. Self financing was also used.

6.12. **Return on net assets**

(131) Return on net assets was calculated by expressing the pre-tax net profit of the like product sold in the Community as a percentage of the net book value of fixed assets allocated to the like product sold in the Community. It showed a similar development as profitability (see recital 132).

6.13. **Profitability**

(132) Profitability of the Community industry, expressed as a percentage of net sales, showed a sharp downward trend from 2001 to 2003, where the already low profit margin more than halved. Profitability then went up without, however, reaching its level of 2001. During the IP, the profits realised by the Community industry represented slightly more than half of the level reached in 2001. In 2002, the rise in prices could not countervail the rise in cost of production nor the loss caused by lower sales volumes. 2003 showed even lower figures as prices decreased while sales volumes decreased even more. In 2004 and during the IP, the profitability of the Community industry improved due to an important rise in sales volume while the price level was stable.

6.14. **Magnitude of dumping margin**

(133) As concerns the impact on the Community industry of the magnitude of the actual margin of dumping, no meaningful conclusion can be drawn given the low level of imports from the PRC.

6.15. **Recovery from the effects of past dumping**

(134) While the indicators examined above show some improvement in the situation of the Community industry further to the imposition of anti-dumping measures in 2000, they also evidence the negative trends of some indicators which show that the Community industry is still in a fragile and vulnerable situation.

6.16. **Conclusion**

(135) Between 2001 and the IP, the following indicators developed positively: sales prices, capacity utilisation and production volume of the Community industry increased while closing stocks decreased slightly. Productivity increased significantly. Investments and cash flow also showed positive trends.

(136) Conversely, the following indicators developed negatively: sales volume decreased, cost of production per tonne and average labour cost per employee increased while employment decreased. Profitability and return on net assets eroded as well.

(137) Overall, the situation of the Community industry is mixed: while some indicators show positive developments, some others show a negative trend. If one compares the above trends with the ones described in the Regulation (EC) No 1100/2000, it is clear that the introduction of the anti-dumping measures in 2000 enabled the Community industry to stabilise its situation, but not to fully recover from its injurious situation. Although the Community industry, following positive developments, started to invest in new equipment destined to new applications, it should be stressed that due to the highly price sensitive market, its market share and profitability decreased.

(138) The Community industry has benefited from a rise in its unit price of SiC from 2001 to the end of the IP. The initial rise should have compensated the rise in cost of production due to the restructuring and the efficiency related expenses. However, the increase in the selling price could not compensate the rise in the cost of production and profit margins therefore decreased.

(139) Although consumption in the Community increased by 4 % over the period considered, the Community industry's market share decreased by 2,6 %, i.e. the Community industry was not able to benefit from this increase in consumption.

(140) On the other hand, the Community industry's export performance improved during the period considered as its export sales increased significantly over the period considered; i.e. by more than 25 %. This development shows that the Community industry produces a competitive product successful on third country markets although in competition with other imports.

(141) When comparing the situation of the Community industry at the beginning and at the end of the period considered, a number of injury indicators, such as capacity and capacity utilisation, stocks and market share are at similar levels. Other indicators, such as sales volume, cost of production, profitability, return on investments and employment show clear negative trends while only few indicators, i.e. unit sales prices, productivity, investments and cash flow show positive trends. It is therefore concluded that the situation of the Community industry although stabilised during the period considered, as compared to the period preceding the imposition of measures in 2000, is still in a fragile situation. In particular, the clear negative trend in profitability which did still not reach an acceptable level during the IP as well as the decreased market share of the Community industry indicate that it could not fully recover from the effects of injurious dumping.

7. **LIKELIHOOD OF CONTINUATION OR RECURRENCE OF INJURY**

(142) As explained in recitals 56 to 57, the exporting producers in the PRC have the potential to substantially raise their exports volume to the Community by redirecting current export volumes to third countries to the more attractive Community market and/or by using their significant spare capacities. Indeed, significant capacities are available reaching more than 200 000 tonnes which represents almost 100 % of Community consumption. It is therefore likely that substantial quantities of Chinese SiC will penetrate the Community market to regain lost market share and increase it further should measures be repealed.

(143) During the whole period under consideration the North American market continued to be a key area of interest for PRC. While there is just one crude SiC producer in North America left with a capacity of 50 000 tonnes, the consumption in this area is in the region of 250 000 tonnes. The PRC is providing 80 % of imports of US crude silicon carbide imports and 57 % of SiC grain imports, followed by Brazil (12 %), Norway (10 %) and Germany (6 %). Even if PRC would be able to take over the import share in the US of the other third countries, the spare capacities in the PRC would still remain sufficient to flood the Community market with low price SiC should measures be repealed. Indeed, the development on the US market where no anti-dumping duties were in force, will very likely be mirrored on the Community market should measures be repealed.

(144) Since none of the Chinese exporting producers cooperated, information on the likely Chinese price levels should measures be repealed was based on information available in accordance with Article 18 of the basic Regulation. In this regard, information submitted in the complaint, import statistics and other information available on the market was used. Thus, and as mentioned above in recital 56, the information in the complaint suggests that export prices to the USA and Japan for high quality grades were significantly below the prices for similar grades of the Community industry.

(145) This trend was confirmed by other sources of information which show Chinese export prices to other third countries such as the USA and South Africa significantly below the export prices to the Community as recorded in Eurostat, i.e. EUR 540/tonne for crystalline grades (97 % minimum) and EUR 123/tonne for metallurgical grades. It should be stressed that Chinese exporters are able to produce and export all kind of high quality SiC to the EC. The investigation revealed that one of the most valuable and cost intensive SiC was sold to the EC at EUR 1 500/tonne duties exclusive, which amounts to EUR 2 400/tonne import duty and AD duty included. Even the latter price is significantly below the price offered by the Community producers. In more general terms, Eurostat statistics show that, historically, export prices from China to the Community were very low, i.e. approximately between EUR 250 and 500/tonne. Thus, it can be expected that Chinese SiC would enter the market again at very low prices if measures lapsed.

(146) This can be confirmed by the fact that, in 2006, after the substantial reduction of the export license fees by the Chinese authorities, i.e. ranging from EUR 125 to 208/tonne down to EUR 25,8/tonne, export prices to other third countries for the product concerned were down to levels which would undercut even more the current Community industry price level.

(147) Furthermore, it is likely that, in order to be able to significantly increase their sales, using the huge spare capacity, and gain a substantial market share in the Community, Chinese exporting producers will have to undercut prices of imports from third countries as well. This will increase price pressure and not only prevent the Community industry from recovering fully from the past injury but also lead to a severe deterioration of its still fragile situation.

(148) For the reasons set out in the above mentioned recitals, it has been determined that there is a likelihood that Chinese exporting producers will resume exports in significant quantities to the Community at dumped prices considerably undercutting the EC prices to regain lost market shares should measures against the PRC be allowed to lapse.

(149) Therefore it was concluded that there is a likelihood of recurrence of injurious dumping should measures against imports of SiC originating in the PRC be allowed to lapse.

8. COMMUNITY INTEREST

8.1. Introduction

(150) According to Article 21 of the basic Regulation, it was examined whether the maintenance of the existing anti-dumping measures would be against the interest of the Community as a whole. The determination of the Community interest was based on an appreciation of all the various interests involved.

(151) It should be recalled that, in the previous investigation, the prolongation of the measures was considered not to be against the interest of the Community. During the original investigation, a significant number of the co-operating users and importers were in favour of the continuation of the measures.

(152) In the present proceeding, no cooperating user, no importer and no raw material producer opposed the continuation of the measures against the PRC for reasons outlined below in recitals 153, 159 and 160 to 171.

8.2. Interest of the Community industry

8.2.1. *Impact of the continuation of the measures*

(153) Despite the partial recovery of the Community industry since the imposition of anti-dumping measures in 2000, it is clear that these measures have not yet fully had the expected remedial effects on the Community industry.

(154) In case measures against imports of SiC originating in the PRC are maintained, a further price depression on the Community market would be avoided and the Community industry would be able to reach a reasonable price level and to improve its financial situation. This is mainly due to the fact that the Community industry invested heavily in processing capacities of certain types of SiC destined to new applications fields such as diesel particle filters. This will, in all likelihood, allow them to increase their sales prices and volume in the future and to regain lost market share.

(155) The Community industry has proven to be a structurally viable industry. This was confirmed by improved export performance and it efforts of restructuring.

(156) For the reasons set out above, it can be reasonably expected that the Community industry will continue to benefit from the measures and further recover by reaching reasonable profit margins. In this light, it was concluded that it would be in interest of the Community industry to maintain measures against imports of SiC originating in the PRC.

8.2.2. *Impact of the expiry of the measures*

(157) In contrast, should measures on imports of SiC originating in the PRC expire, massive imports of Chinese SiC at dumped prices are expected to enter the Community market, causing a significant price pressure on the Community market. Under these circumstances, it is likely that the Community industry will start again to suffer injury from increased imports at dumped prices which will also result in a loss of market shares and a deterioration of its economic situation which is still fragile. In such a scenario, the disappearance of the Community industry is not excluded.

(158) It was therefore concluded that it would be in the interest of the Community interests to maintain measures against imports of SiC originating in the PRC.

8.3. **Interest of importers**

(159) As outlined in recital 13 the three sampled importers in the Community not related to an exporting producer filled in a questionnaire. These importers represented 98 % of the import volumes of known importers in the Community. They opposed the continuation of the anti-dumping measures in force against Russia and Ukraine but did not take any specific position with regard to the anti-dumping measures in force against the PRC.

(160) It is recalled that in the original investigation it was found that the impact of the imposition of measures on importers would not be significant. This has been confirmed by the present investigation. Indeed, since the imposition of measures, no significant change of the economic situation of importers has been found and this is not expected to change if measures are maintained. The verified information submitted by the importers has also shown that they realised reasonable profit margins despite the anti-dumping duty in force.

(161) On the basis of the foregoing, it was concluded that the continuation of measures applicable to imports of SiC originating in the PRC would not have a significant effect on the situation of importers.

8.4. **Interest of users**

(162) As outlined in recitals 14 to 16, eighteen users in the Community representing around 30 % of the total Community consumption provided basic information related to their purchases of the product concerned and expressed their willingness to cooperate. Finally, seven users submitted full questionnaire replies, two of which were investigated on-spot. In this context it has to be noted that the majority of the cooperating users were processors, and only one end-user. None of the co-operating users took any specific position as regards the anti-dumping measures in force against the PRC.

(163) SiC is used in a wide variety of applications and therefore a large number of user industries are concerned such as abrasive and polishing applications as well as refractory segment for crystalline material. In the metallurgical segment SiC is used as an alloy.

(164) In examining the possible effect of the imposition of measures on users, it was concluded in the original investigation that in view of the low level of cooperation and comments submitted, measures in force did not have a significant negative impact on their business.

(165) The current review investigation confirmed the findings as far as SiC originating in the PRC is concerned. Indeed, the analysis of the questionnaire replies revealed that users do not have to expect any cost increase should measures be maintained. As measures at the same level are already in force since 1986, the maintenance of these measures would not change the current situation of the users. In any case, since measures against Russia and Ukraine are terminated, the position of the users having additional sources of supply, will rather improve.

(166) It is also recalled that since the imposition of measures on imports of SiC originating in PRC no significant change of the economic situation of users could be observed.

(167) Certain interested parties claimed that the continuation of the measures on imports of SiC originating in the PRC would lead to increased imports of finished products using Chinese SiC. However, no such increase has been observed during the period considered despite the anti-dumping measures in force against the PRC. There were no indications that such an increase of imports of finished products was imminent or foreseeable in the near future. Therefore this argument has to be rejected.

(168) Some users argued that there would be a shortage of supply should measures be maintained against all three countries which were subject to the present investigation. However, in this respect it is recalled that the measures currently in force have not led to any shortage of supply. Moreover, since anti-dumping measures against Russia and Ukraine are terminated, new sources of supply can enter the Community without any anti-dumping duties. Finally, it is recalled that the purpose of anti-dumping duties is not to prevent imports of SiC from PRC to enter the Community market, but to ensure fair conditions of trade. For these reasons, this argument has to be rejected.

(169) On the basis of the above, it was concluded that the continuation of measures applicable to imports of SiC originating in the PRC would not have a significant effect on the situation of users.

8.5. **Interest of upstream industry**

(170) The Commission received two replies to the questionnaire from suppliers of raw materials to the Community industry. Both stated that anti-dumping measures would have a rather limited impact on their business.

(171) The investigation confirmed these assessments. It is therefore concluded that there are no compelling reasons of the upstream industry against the continuation of the measures against imports of SiC originating in the PRC.

8.6. **Conclusion on Community interest**

(172) From the foregoing it was concluded that if measures would lapse, the situation of the Community industry would deteriorate, which may even lead to its disappearance.

(173) As for importers, users and raw material producers of SiC, it was found that the imposition of the measures on imports of SiC originating in the PRC did not have any undue negative effects on their economic situation.

(174) It is therefore concluded that there are no compelling reasons of Community interest against the continuation of the measures on imports of SiC originating in the PRC.

9. **INTERIM REVIEW**

(175) Given the findings with regard to Russia and as outlined above in recitals 84 to 89, the anti-dumping proceedings against this country will be terminated and the anti-dumping measures in force will be repealed.

(176) It follows that the interim review mentioned in recital 7 of this Regulation limited to the examination of the form of the measures in force against Russia should also be terminated.

10. **ANTI-DUMPING MEASURES**

(177) All parties were informed of the essential facts and considerations on the basis of which the maintenance of the existing measures is based. They were granted a period to make representations subsequent to this disclosure. No comments were received which were of a nature to change the above conclusions.

(178) It follows from the foregoing that, as provided for by Article 11(2) of the basic Regulation, the antidumping measures applicable to imports of SiC, originating in the PRC should be maintained.

(179) Finally, as outlined above, the proceedings related to imports of SiC originating in the Russian Federation and in Ukraine should be terminated and the measures repealed,

HAS ADOPTED THIS REGULATION:

Article 1

The anti-dumping proceeding concerning imports of silicon carbide originating in the Russian Federation and Ukraine falling within CN code 2849 20 00 is hereby terminated and anti-dumping measures imposed on those countries by Regulation (EC) No 1100/2000 are repealed.

Article 2

A definitive anti-dumping duty is hereby imposed on imports of silicon carbide falling within CN Code 2849 20 00 originating in the People's Republic of China.

The rate of the duty applicable to the net, free-at-Community-frontier price, before duty, shall be as follows:

Country	Rate of duty (%)
People's Republic of China	52,6

The provisions in force concerning customs duties shall apply.

Article 3

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

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

Done at Brussels, 21 August 2006.

For the Council
The President
E. TUOMIOJA