would have been provided by domestic industry have been and are being exported.

DISCOURAGING GROWTH CLIMATE AND PROSPECTS FOR FUTURE

During the middle 1960's, many domestic producers made substantial capital investments designed to modernize their facilities. This was at a time when demand for domestic ferroalloys and related metals had temporarily strengthened—thanks primarily to reductions in domestic prices in efforts to meet import competition, together with a substantial expansion in demand from our customers in the steel and other industries.

Unfortunately, these capital investments failed to arrest the economic disparity between foreign and domestic goods, and the U.S. producers face the future with increasing uncertainty. In particular, they lack adequate funds to support research, new technology, and similar development programs needed to keep this industry dynamic and competitive.

For example, calculations show that under today's conditions, a producer could expect a return after taxes of only about 1.2 percent if he built an 82,000-ton standard ferromanganese furnace of the most modern type. See exhibit D attached to my prepared statement.

The U.S. ferroalloy producers are thus in a serious dilemma. On the one hand, if they do not add new capacity or continue their modernization programs, the snowballing effect of their declining participation in the U.S. ferroalloy market will be accentuated in favor of imports. On the other hand, they are finding it ever more difficult to justify the capital investments needed in the future to remain viable and competitive. In most cases, the producers will have no practical economic choice under present conditions but to operate present furnaces until they are obsolete—at which point the country will be largely dependent upon foreign sources for its ferroalloy needs.

NEED FOR IMPORT QUOTAS

We, as an industry, acknowledge the need for worldwide trade. On the other hand, we do not feel we should be expected to give up increasing shares of our American market to foreign producers—at the cost of lower and lower earnings, elimination of any growth potential, and, in effect, the export of domestic jobs overseas.

The only way to prevent further deterioration is prompt action to control imports in the form of import quotas—which would permit both domestic producers and importers to share equitably in the expanding U.S. ferroalloys market.

Specifically, we urge that imports of each ferroalloy product be limited each year, in respect to estimated U.S. consumption, to the following percentages of domestic consumption which such imports accounted for during the base period 1961–65 inclusive. (See exhibit E attached to my prepared statement.) This is a relatively normal base period, prior to the recent tremendous surge of imports.

Under this approach imports of high carbon ferromanganese would be allowed 27.7 percent of the U.S. market; medium- and low-carbon