OEP INVESTIGATION (1963–64)

In the late 1950's and early 1960's the domestic ferroalloy industry began to experience severe reversals, in part due to increasing imports of low-cost ferroalloy products produced in modern foreign facilities. Accordingly, in May 1963, the industry asked the Office of Emergency Planning for relief from imports under Section 232 of the Trade Expansion Act of 1962.

On July 17, 1964, the OEP denied this application on the ground that there was not at that time sufficient impairment of national security. While this decision seemed to discount the significance of the economic problems facing the industry, it did contain several significant statements germane to the current plight of the industry. In particular, as noted above, the OEU Director acknowledged the defense essentiality of this industry. In addition, he recognized:

> "that the industry is facing serious economic adjustments and problems; and that there is a fluidity in the *economic and import situation* which, while not presently anticipated, could be resolved *so adversely as to require further review* under Section 232 of the Trade Expansion Act. Both the Government and the industry should continue to watch present trends and potential developments regarding ferroalloys." (p. 23) (Emphasis added).

The industry feels that its "economic and import situation" has deteriorated considerably since 1964, and that only affirmative action to control imports will prevent further weakening of the industry and its mobilization base. A brief review of current and prospective conditions follows.

DETERIORATING CONDITIONS SINCE 1963–64

Paradoxically, at the time the OEP decision was released in 1964, demand for domestic ferroalloys and related metals had begun to strengthen. This was due primarily to reductions in domestic prices in efforts to meet the competition of the lower-cost imports, along with a substantial expansion of domestic demands for ferroalloys by the steel producers and others. Unfortunately, however, imports have grabbed off the lion's share of this increase.

During the past several years, the domestic ferroalloy producers made substantial efforts to improve their competitive position—including expenditures of some $75,000,000 to improve and modernize their facilities. But despite these efforts, the temporary upturn in the industry's prospects soon evaporated, and conditions are steadily deteriorating today.

INCREASING IMPORTS

Imports of manganese ferroalloys have almost doubled since 1964, and imports of chromium ferroalloys have gone up 2½ times during that period. Moreover, by 1967, imports of the large volume ferroalloy products had captured alarming percentages of the United States available market; for example:

- High-carbon feromanganese, 42% of U.S. non-captive market.
- Medium- and low-carbon ferromanganese, 26% of total U.S. market.
- Silicomanganese, 25% of total U.S. market.
- Low-carbon ferrochromium, 31.5% of total U.S. market.

Imports of 75% ferrosilicon, the most widely used grade of silicon in world markets, jumped from almost nothing in 1961 to an estimated 31 million pounds in 1967, accounting for about 14.7% of the domestic market. (See Exhibits A–1 through A–3.)

Significantly, the bulk of these ferroalloy imports come from foreign facilities which in great measure were built in the interests of supplying our U.S. national stockpile requirements during the 1950–1961 period. However, by 1963 the Government had ceased its stockpile purchases—resulting, predictably, in substantially increased imports for the commercial market.

In other words, with the foreign producers having expanded their ferroalloy capabilities far beyond their own domestic requirements—thanks largely to this U.S. encouragement—they came inevitably to look upon the U.S. market place as a dumping ground for their excess capacities.