

a relatively short period before the stockpiles are exhausted. For the reasons already indicated, we feel that the adverse economic trends affecting major segments of the domestic industry today, and particularly for the future, do not justify such an assumption.

To be sure, the present government stocks of ferroalloys serve to reduce the mobilization base (domestic industry capacity) considered to be needed at the beginning of any emergency. But most of these ferroalloys would represent less than a 1-year supply under conditions of increased wartime demand, assuming imports were cut off. Consequently, for a continuing emergency these stockpiles should not be considered as taking the place of a healthy domestic industry in being.

In this connection, it should be noted that the 3-year stockpile of ores obviously does not meet the problem, since these ores must first be processed into the various ferroalloy products before they can be used. The value of the ore stockpile in time of emergency is thus obviously dependent upon a viable domestic industry with the capacity to convert it into alloys before exhaustion of the ferroalloy stockpiles.

NEED FOR IMPORT QUOTAS

As shown above, major segments of the domestic ferroalloys industry already are facing serious economic problems which, under present conditions, can only get worse. And if other segments are still somewhat better off, that is only because the pattern of increasing imports is more recent in their case.

The only way to prevent further weakening and deterioration of this industry is firm action by the Government to control imports in the form of import quotas. An increase in duty rates would not be effective for this purpose, and would be inconsistent with our government's present trade policy. But an import quota system, on a reasonable percentage-of-consumption basis, would permit both domestic producers and importers to share equitably in the expanding U.S. 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 1961-1965, inclusive. (See Exhibit E). This is a relatively normal base period, prior to the recent tremendous surge of imports.

	<i>Percent</i>
High-carbon ferromanganese.....	27.7
Medium- and low-carbon ferromanganese.....	20.3
Silicomanganese	12.8
Manganese metal.....	8.5
High-carbon ferrochrome.....	6.6
Low-carbon ferrochrome.....	19.7
Chromium metal.....	37.4
8-60% silicon ferroalloys.....	1.6
60-80% silicon ferroalloys.....	0.9

Proposed legislation to establish reasonable import quotas for ferroalloy products along these lines has been introduced in both the Senate (S. 2563, Senator Baker), and the House of Representatives (H.R. 13996 by Congressman Hays of Ohio, and H.R. 15417 by Congressman Anderson of Tennessee). (See Exhibit F). Such quota action has also been requested by these producers in their application filed with OEP on May 24, 1968, under Section 232 of the Trade Expansion Act.

CONCLUSION

The maintenance of a healthy domestic ferroalloy industry is essential to our national security. But, as a result of mounting imports, the economic health of many segments of this industry is deteriorating seriously, and the prospects of the entire industry are equally discouraging for the future. This process of attrition is clearly contrary to the interests of this industry and to our national security interests. It can be stopped only by affirmative governmental action to control its cause—the increasing flood of imports.

We urge prompt and favorable consideration of S. 2653, H.R. 13996, and H.R. 15417.

Respectfully submitted.

COMMITTEE OF PRODUCERS OF FERROALLOYS AND RELATED PRODUCTS.