

Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

If not, Mr. Cunningham, we appreciate your coming to the committee.

Mr. CUNNINGHAM. Thank you.

(The following letter was received by the committee:)

COMMITTEE OF PRODUCERS OF FERROALLOYS AND RELATED PRODUCTS,
Washington, D.C., July 12, 1968.

HON. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to several questions addressed by Mr. Curtis to Mr. Cunningham when the latter testified before your Committee on June 18th on behalf of the Committee of Producers of Ferroalloys and Related Products.

(1) Mr. Curtis's first question had to do with the anticipated impact of the Kennedy Round upon the ferroalloys industry.

The Kennedy Round imposed further duty reductions for most ferroalloys products, but in assessing its impact one must bear in mind also the already substantial reductions in duties for these products which were made in the several negotiations prior to the Kennedy Round. (See Table 1, attached, showing for each product the successive reductions from the 1930 duty levels). These earlier duty reductions had substantial adverse effects upon the domestic industry, particularly in terms of lower and lower domestic selling prices as the duties kept going down. (See examples in Tables 2a and 2b, attached.)

As a result, when the Kennedy Round negotiations were announced, the duties applicable to most segments of the ferroalloys industry were already so low that they were largely ineffectual as a factor in controlling imports of these products. Nevertheless, in 1964, as part of the hearings preceding the Kennedy Round, the industry as a whole, and many of its individual producers, submitted oral and written statements to the Tariff Commission to show why further duty reductions would serve only to accentuate the injury already suffered by the domestic industry on account of imports. As is evident from Table 1, these statements were apparently ignored by our negotiators, and the already low duties were cut even further as a result of the Kennedy Round.

The domestic ferroalloy producers feel that the Kennedy Round will probably stimulate foreign producers of most of the products involved to intensify their efforts in the American market, with imports continuing to increase. In all probability, too, the sales prices of the foreign-produced products will be reduced proportionately with the reductions in duty, just as happened following the earlier duty reductions. (See Tables 2a and 2b.) On the other hand, it should be noted that there are virtually no exports of U.S.-produced ferroalloy products, and no reasonable likelihood that the industry will derive any benefit from the Kennedy Round in that respect.

In sum, the result of the Kennedy Round will be a further undermining of the viability of the domestic industry. As indicated in Mr. Cunningham's testimony, our Committee recently filed an application with the Office of Emergency Planning under Section 232 of the Trade Expansion Act seeking the Government's help in maintaining the viability of this industry for national security purposes. It is the Committee's strong hope that you, Mr. Curtis, and other members of your Committee will deem it appropriate to advise the OEP of your interest in our problem.

(2) Secondly, Mr. Curtis asked whether the machinery established by the Congress in Section 232 of the Trade Expansion Act is adequate to protect the national security in the case of domestic industries which are threatened by increasing imports.

As you may know, the domestic ferroalloy industry unsuccessfully sought relief under Section 232 in 1963-64. The industry felt that the facts and figures developed in that earlier investigation warranted favorable action by OEP under the language of Section 232—particularly since OEP acknowledged that this industry was an essential part of our country's mobilization base. As it happened, however, conditions improved somewhat about that time, and the industry was able to modernize its facilities and maintain its position in the U.S. market for a relatively brief period. Shortly thereafter, however, the situation began