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GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

High-Carbon Ferrochromium

The following communication, dated 14 December 1977, has been received from the Permanent Mission of the United States.

The United States International Trade Commission (USITC) reported to the President 1 December 1977 that it had determined by a three to one vote that high-carbon ferrochromium is being imported into the United States in such increased quantities as to be "a substantial cause of the threat of serious injury" to the domestic industry producing an article like or directly competitive with the imported article. High-carbon ferrochromium is defined in the tariff schedules of the United States (TSUS) as ferrochromium containing over 3 per cent by weight of carbon.

The current United States column 1 import duty on high-carbon ferrochromium (TSUS 607.31) is 0.625 cents per pound on chromium content, approximately 1.9 per cent ad valorem. The Commission recommended this duty be increased an additional 30 per cent ad valorem for the next two years and then be gradually scaled down in subsequent years according to the following schedule: first and second years 30 per cent, third year 25 per cent, fourth and fifth years 20 per cent.

The Commission found that imports of high-carbon ferrochromium increased irregularly from 44,017 short tons, chromium content, in 1972 to 107,307 short tons in 1976. Imports increased their share of the United States market from 32 per cent to 70 per cent during this period.

The Commission further reported that net sales of United States producers declined from US\$103.2 million in 1974 to US\$88.8 million in 1976. United States producers' shipments declined from 154,000 short tons, chromium content, to 112,000 short tons during the same period. This decrease occurred despite the fact that more

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high-carbon ferrochromium was used per ton of stainless steel produced in 1976 than in 1972 because of the continuing conversion of United States stainless steel production to the argon-oxygen-decarburization (AOD) process, which permits the substitution of high-carbon for low-carbon ferrochromium. The aggregate net operating profit for the domestic industry dropped from US\$21.2 million in 1974 to US\$7.9 million in 1976, or by 63 per cent. Net operating profit in January-June 1977 was US\$1.3 million, 76 per cent less than the profit of US\$5.4 million reported in January-June 1976. Three of the five United States producers had operating losses on their high-carbon ferrochromium operations in 1976 and four had operating losses in January-June 1977.

The Commission further found that United States producers' inventories of high-carbon ferrochromium declined from 18,957 short tons on 1 January 1972 to 8,957 short tons on 1 January 1975. However, these inventories increased by about 350 per cent to 40,964 short tons on 1 January 1977. Although United States producers reduced their inventories in January-June 1977, they still remain at an inordinately high level.

The Commission estimated that worldwide production capacity for high-carbon ferrochromium is 1.5 million short tons, chromium content, or 40 to 50 per cent greater than current demand. This excess capacity poses a significant threat to the domestic industry because the United States is one of the primary markets for foreign-produced high-carbon ferrochromium. Increased demand will not absorb the excess capacity until at least 1987, assuming an optimistic annual growth rate in the production of stainless steel with no further additions to ferrochromium capacity.

Under Section 201 of the Trade Act of 1974, the President has sixty days following the receipt of a recommendation for import relief from the USITC to determine what method and amount of import relief he will provide, or determine that the provision of such relief is not in the national economic interests of the United States.

The current column 1 import duty of 0.625 cents per pound or chromium content is bound to Canada and Southern Rhodesia. The following statistics present United States imports of high-carbon ferrochromium in 1974-76; however, imports from Rhodesia were embargoed by the United States effective 18 March 1977:

	<u>IMPORTS BY VALUE (US\$'000)</u>			Average
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1974-76</u>
South Africa	8,998	29,219	26,650	21,622
Rhodesia	6,520	33,160	15,131	18,270
Brazil	2,641	6,651	10,126	6,473
Yugoslavia	10,877	9,219	10,021	10,039
Japan	1,067	51,380	5,098	19,182
All other	3,030	5,411	3,007	3,816
TOTAL	33,134	135,041	70,035	79,402

The Government of the United States is prepared to enter into consultations under Article XIX, paragraph 2 with contracting parties having a substantial interest in the exportation of the product concerned to the United States.

