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ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

High-Carbon Ferro-Chromium

The following communication dated 25 September 1978 has been received from the Permanent Mission of the United States.

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On 5 September 1978 the United States International Trade Commission (USITC) reported to the President that it had determined that high-carbon ferrochromium, classified under Item 607.31 of the Tariff Schedules of the United States (TSUS) is being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing an article like or directly competitive with the imported article. The recommendation resulted from a reinvestigation of high-carbon ferrochromium imports following the denial by the President of the import relief recommended by the ITC after its earlier investigation in 1977, when it found that increased imports constituted a substantial cause of the threat of serious injury (L/4617 and Add. 1).

The current U.S. Column 1 import duty on high-carbon ferrochromium (TSUS 607.31) is 0.625 cents per pound on chromium content, equivalent to 2.0 percent ad valorem. To remedy the serious injury, the Commission recommended the imposition of duties over and above the existing rate as follows: 1st year - 30 percent ad valorem, 2nd year - 30 percent ad valorem, 3rd year - 25 percent ad valorem, 4th year - 20 percent ad valorem, 5th year - 20 percent ad valorem.

The Commission's report shows that U.S. imports have increased and domestic production has decreased, resulting in a higher proportion of imports to domestic production. Imports of high-carbon ferrochromium increased irregularly from 71,916 short tons, chromium content, in 1973 to 109,847 short tons, chromium content, in 1977. In relation to U.S. production, imports rose from 45 percent to 97 percent in the same time period. Imports in January-June 1977 were 67,854 short tons, chromium content, equivalent to 117 percent of U.S. production, compared with 84,508 short tons, chromium content, the equivalent of 177 percent of U.S. production in the corresponding period in 1978.

The Commission reported that the domestic industry is being seriously injured as follows:

A. Idling of productive facilities: U.S. producers operated their high-carbon ferrochromium production facilities at only 50 percent of capacity in January-June 1978, compared with 57 percent in 1977. The January-June operating level was the lowest since 1975 when the production of stainless steel, the principal use of high-carbon ferrochromium, had dropped sharply.

B. Inability to operate at a reasonable level of profit: Aggregate net operating profit for the domestic industry dropped from \$21.1 million in 1974 to \$7.9 million in 1976 and to \$3.5 million in 1977. A net operating loss of \$5.0 million occurred in January-June 1978. Four of the five U.S. producers operated at a loss in 1977, and all five experienced losses in January-June 1978.

C. Unemployment within the industry: average number of production and related workers engaged in the production of high-carbon ferrochromium declined irregularly from 682 in 1973 to 477 in 1977 and 396 in January-June 1978.

D. Decline in sales: net sales of U.S. producers declined from \$103.2 million in 1974 to \$89.2 million in 1977; shipments fell from 154,415 short tons chromium content, to 122,994 short tons in the same period. Sales of \$33.2 million (52,416 short tons) in January-June 1978 were substantially less than the sales of \$48.1 million (67,900 short tons) reported for the corresponding period of 1977.

E. Downward trend in production: US production dropped from 158,550 short tons chromium content in 1973 to 112,803 short tons chromium content in 1977. This decrease occurred despite the fact that considerably more high-carbon ferrochromium was used per ton stainless steel produced in 1977 than in 1972 because of the continuing conversion of U.S. stainless steel production to a process (AOD) allowing the substitution of lower cost high-carbon ferrochromium for low-carbon ferrochromium.

Additional details are presented in the report of the Commission to the President, USITC Publication 911, dated September 1978.

The current Column 1 import duty of 0.625 cents per pound on chromium content is bound to Canada and Southern Rhodesia. The following statistics present U.S. imports of high-carbon ferrochromium in 1975-1977; however, imports from Rhodesia were embargoed by the United States effective 18 March 1977:

	<u>1975</u>	<u>VALUE (\$1,000)</u>		<u>1975-77 Average</u>
		<u>1976</u>	<u>1977</u>	
South Africa	29,219	26,650	35,578	30,482
Rhodesia	33,160	15,431	16,109	21,467
Yugoslavia	9,219	10,021	10,762	10,001
Brazil	6,651	10,126	3,706	6,828
Japan	51,380	5,098	163	18,880
All other	<u>5,410</u>	<u>3,006</u>	<u>3,598</u>	<u>4,005</u>
TOTAL	135,041	70,035	69,916	91,663

Under Section 202 of the Trade Act of 1974, the President has 60 days following the receipt of a recommendation from the USITC for the provision of import relief to determine what method and amount of import relief he will provide or to determine that the provision of such relief is not in the national economic interest of the United States. The Trade Act further provides for a congressional override of any Presidential decision at variance from the ITC recommendation.

The United States is ready to consult with the CONTRACTING PARTIES and with those contracting parties having a substantial interest as exporters of ferrochromium to the United States in respect of the proposed action.

