**MANAGEMENT FOCUS**

**Protecting U.S. Magnesium**

In February 2004, U.S. Magnesium, the sole surviving U.S. producer of magnesium, a metal that is primarily used in the manufacture of certain automobile parts and aluminium can, filed a petition with U.S. International Trade Commission contending that a surge in imports had caused material damage to the U.S. industry’s employment sales, market share, and profitability. According to U.S. Magnesium, Russian and Chinese producers had been selling the metal at prices significantly below market value. During 2002 and 2003, imports of magnesium into the United States rose 70 percent, while prices fell by 40 percent, and the market share accounted for by imports jumped to 50 percent from 25 percent.

“The United States used to be the largest producer of magnesium in the world” a U.S. Magnesium spokesperson said at the time of the filing. “What’s really sad is that you can be state of the art and have modern technology, and if the Chinse, who pay people less than 90 cents an hour, want to run you out of business, they can do it. And that’s why we are seeking relief”.

During a yearlong investigation, the ITC solicited input from various sides in the dispute. Foreign produces and consumers of magnesium in the United States argued that falling prices for magnesium during 2002 and 2003 simply reflected an imbalance between supply and demand due to additional capacity coming on stream not from Russia or China but from a new Canadian plant that opened in 2001 and from a planned Australian plant. The Canadian plant shut down in 2003, the Australian plant never came on stream, and prices for magnesium rose again 2004.

Magnesium consumers in the United States also argued to the ITC that imposing antidumping duties on foreign imports of magnesium would raise prices in the United States significantly above world levels. A spokesperson for Alcoa, which mixes magnesium with aluminium to make alloys for can, predicted that if antidumping duties were imposed, high magnesium prices in the United Stated would force Alcoa to move some production out of the United States. Alcoa also noted that in 2003, U.S. Magnesium was unable to supply all of Alcoa’s needs, forcing the company to turn to imports. Consumers of magnesium in the automobile industry asserted that high prices in the United States would drive engineers to design magnesium out of automobiles or force manufacturing elsewhere, which would ultimately hurt everyone.

The six members of the ITC were not convinced by these arguments. In March 2005, the ITC ruled that both China and Russia had been dumping magnesium in the United States. The government decided to impose duties ranging from 50 percent to more than 140 percent on imports of magnesium from China. Russian producers faced duties ranging from 19 percent to 22 percent. The duties were to be levied for five years, after which the ITC would revisit the situation. The ITC revoked the antidumping order on Russia in February 2011 but decided to continue placing them on Chinese produces. They were finally removed by the ITC in 2014.

According to U.S. Magnesium, the initial favourable ruling allowed the company to reap the benefits of nearly $50 million in investments made in its manufacturing plant and enabled the company to boost its capacity by 28 percent by the end of 2005. Commenting on the favourable ruling, a U.S. Magnesium spokesperson noted, “Once unfair trade is removed from the marketplace we’ll be able to compete with anyone”.

U.S. Magnesium’s customers and competitors, however, did not view the situation as one of unfair trade. While the imposition of antidumping duties no doubt helped to protect U.S. Magnesium and the 400 people it employed from foreign competition, magnesium consumers in the United States felt they were the ultimate losers, a view that seemed to be confirmed by price data. In early 2010 the price for magnesium alloy in the United States was $2.30 per pound, compared to $1.54 in Mexico, $1.49 in Europe, and $1.36 in China.