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Mugging Magnesium

How an antidumping case has destroyed U.S. manufacturing jobs.

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Remember when Charlie Daniels sang about driving in a Chevrolet with "a peace sign, mag wheels and four on the floor" ("Uneasy Rider," 1973)? Those were the good old days when American die casters could compete in the market for car parts made from magnesium alloy. Today, the U.S. magnesium industry and its thousands of jobs are in desperate shape, thanks to Washington trade barriers.

In 2005, at the behest of America's monopoly magnesium producer—U.S. Magnesium of Utah—the Commerce Department imposed antidumping duties on magnesium from Russia and magnesium alloy from Russia and China. Five years later magnesium alloy is in short supply in the U.S., leading to much higher prices than in the rest of the world and a crisis for die casters, alloy producers and recyclers. The good news is that the duties are up for International Trade Commission (ITC) review under the sunset provision for antidumping law.

At two-thirds the weight of aluminum, magnesium is in especially high demand in the auto industry. The Department of Energy's Vehicle Technologies Program supports research and development of magnesium and magnesium alloy in the quest to reduce automobile weight. Car makers use it for everything from engine blocks and transmission casings to wheels.

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Stacks of 25-pound bricks of magnesium are seen near the loading dock at the U.S. Magnesium plant.

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In a December 6 letter to the ITC, Arkansas Congressman Mike Ross spelled out the problem: "U.S. manufacturers pay \$2.30 per pound on average for magnesium alloy while manufacturers in Mexico, Canada and Europe pay \$1.50 per pound and Chinese manufacturers pay \$1.36 per pound." Die casters who have tried shifting to aluminum have lost orders to overseas producers.

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Michael Sparks, executive vice president of operations at Mexico, Missouri-based Spartan Light Metal Products, says, "customers have changed from purchasing magnesium parts and subassemblies from us to purchasing from foreign competitors." Mr. Sparks told the ITC that his company may need to let go 15%-20% of its workforce.

If the goal was to destroy a U.S. manufacturing industry, you couldn't

have come up with a better plan. The North American Die Casters Association says some 1,875 direct jobs and 8,000 supporting jobs have been lost since the 2005 antidumping orders took effect. U.S. magnesium alloy producers have also been stung by duties because they've been priced out of the market and recyclers can't find scrap.

At recent ITC hearings, Senator Claire McCaskill (D., Mo.) described "one small area of rural Missouri" where there are "over 1,000 jobs associated with companies that use magnesium. Their inability to compete with the price of magnesium internationally is causing these jobs to dry up, and that has a devastating impact on these communities." Representative Michele Bachmann (Minn.) and Illinois assemblyman Daniel Reitz testified to similar hardship in their districts.

All of this has been done in the name of saving 400 jobs at U.S. Magnesium, though there is no evidence that the sole American supplier of the metal would have gone out of business without the antidumping protection. Rather, the duties have allowed the company to use monopoly pricing at home while expanding abroad.

Antidumping duties are supposed to ensure that U.S. businesses are not undercut by unfair trade practices. But typically they raise prices on the many to benefit the few, costing more jobs than they protect. The ITC can save jobs by revoking the magnesium antidumping duties and restoring competition to the U.S. market.