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## SUSPENDING THE IMPORT DUTIES ON TUNGSTEN

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Mr. GEORGE, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 5248]

The Committee on Finance, to whom was referred the bill (H. R. 5248) to suspend certain import duties on tungsten, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On the first page, beginning with "subparagraphs" in line 3, strike out all through "Act" in line 7, and insert in lieu thereof "subparagraph (c) of paragraph 302 of the Tariff Act of 1930, as amended".

On page 2, beginning with "tungsten" in line 5, strike out all through the parenthesis following "mine" in line 6, and insert in lieu thereof "standard grade (or better) tungsten concentrates, domestic or foreign, f. o. b. mine or c. i. f. United States ports,".

On page 2, beginning with "subparagraphs" in line 12, strike all through 316 in line 14, and insert in lieu thereof "subparagraph (c) of paragraph 302".

On pages 2 and 3, strike out the entire paragraph beginning at line 18 on page 2, and insert in lieu thereof the following:

In determining the average market price of standard grade (or better) tungsten concentrates, domestic or foreign, f. o. b. mine or c. i. f. United States ports, for each calendar month, the Tariff Commission is hereby authorized to consider the prices of tungsten concentrates reported by the Engineering and Mining Journal in its weekly Metal and Mineral Markets.

#### PURPOSE

The purpose of this bill is to suspend certain import duties on tungsten imposed under the Tariff Act of 1930, as amended.

The suspension would apply during the period beginning with the day following the date of enactment of the bill, and ending with the expiration of 2 years from such date of enactment, or the termina-

tion of the national emergency proclaimed by the President on December 16, 1950, whichever is earlier.

A House amendment adds a proviso whereby the President shall revoke the suspension of duties when, for any calendar month, the average market price of high-grade tungsten concentrate, f. o. b. mine, for that month has been below \$63 per short-ton unit of tungsten trioxide, the price established for Government purchases under the program to encourage the expansion of domestic tungsten production.

#### AMENDMENTS

The bill as passed by the House provided for the suspension of the duties imposed under the Tariff Act of 1930, as amended, on tungsten ores and concentrates (subpar. 302 (c)); on tungsten metal, tungsten carbide, mixtures or combinations containing tungsten metal or tungsten carbide, tungsten acid and all other combinations of tungsten not otherwise provided for (subpar. 302 (g)); on ferrotungsten, ferrochromium tungsten, chromium tungsten, chromium cobalt tungsten, tungsten nickel, and all other alloys of tungsten not specially provided for (subpar. 302 (h)); and on articles containing more than 50 percent of tungsten or tungsten carbide (subpar. 316 (c)). The first committee amendment eliminates reference to subparagraphs 302 (g) and (h) and 316 (b) and has the effect of restricting the suspension to the duties imposed on tungsten ores and concentrates under subparagraph 302 (c) of the Tariff Act of 1930, as amended. The committee are advised that there is no shortage of facilities in this country for refining and processing tungsten and that the purpose of the proposed legislation can be substantially accomplished by limiting the suspension to the duty on tungsten in its raw forms without admitting tungsten metal and refined and processed tungsten in alloys and other forms and combinations duty-free to the possible detriment of American processors.

As stated above, the proviso added by the House provides an automatic cut-off of the suspension (by Presidential revocation) when the average market price of high grade tungsten concentrate, f. o. b. mine, for any calendar month falls below \$63 per short-ton unit. The second committee amendment revises the language of this formula by applying the cut-off price of \$63 to "standard grade (or better) tungsten concentrates, domestic or foreign, f. o. b. mine or c. i. f. United States ports." The committee is advised that this amendment effects no substantial change in the formula, but affords a clearer and more satisfactory measure for application of the cut-off. The term "standard grade" as used in the amendment refers to the standards established for the several types of tungsten concentrate in the regulation (16 F. R. 4373), as amended, implementing the Government purchase program described below.

The third committee amendment merely brings the language of the proviso into conformity with the limitation of the suspension accomplished by the first amendment.

The fourth committee amendment revises the paragraph appended to the House proviso authorizing the use of prices reported by the Engineering and Mining Journal's Metal and Minerals Markets in determining the average market price of tungsten for each calendar month for the purposes of the cut-off formula. The proposed revision

makes the same change as is provided in the second amendment with respect to the type of tungsten concentrate to which the \$63 cut-off price applies, provides that the Tariff Commission may "consider" the reported prices rather than "base its findings upon" the average monthly price (or prices) so reported.

## GENERAL STATEMENT

Generally speaking, tungsten is used mainly for two peacetime purposes: (1) In tool and die steel, and (2) as tungsten powder that goes into such products as filaments in electric light bulbs, electric contact points, and tungsten carbide. In addition, the military requires tungsten for shells and jet engines. At present, approximately one-half of the tungsten goes into steel and the other half goes into tungsten powder for the uses listed above. The chief industrial use of tungsten, in steel or as tungsten carbide, is for cutting tools that work at high speeds and high temperatures.

Since the outbreak of hostilities in Korea in June 1950, the demand for tungsten in the United States and throughout the free world has increased rapidly, while supplies of the metal from China, the largest producer, have been cut off. Present and estimated future supplies of tungsten from both foreign and domestic sources fall short of meeting the requirements of military and essential civilian production, and do not permit needed additions to the stockpile.

The table below shows the domestic production, imports, and consumption of tungsten for the years 1943 and 1948-50, and for a portion of 1951. Exports have been negligible.

*Salient statistics of tungsten ores and concentrates in the United States*

[In thousands of pounds of contained tungsten]

Period	Production	Imports for consumption <sup>1</sup>	General imports	Consumption
1943.....	11,473	19,445	18,678	19,313
1948.....	4,033	7,548	9,704	8,853
1949.....	2,896	6,274	7,357	4,983
1950 <sup>2</sup> .....	4,039	15,780	8,235	6,270
1951—First quarter <sup>3</sup> .....	1,268	415	1,232	3,168
April <sup>4</sup> .....	450	394	410	818
May <sup>4</sup> .....	501	145	227	1,360
June <sup>4</sup> .....	475	445	394	903
July <sup>4</sup> .....	452	346	452	799
August <sup>4</sup> .....	502	(*)	(*)	969

<sup>1</sup> Imports for consumption represent ores and concentrates on which duty was paid at the time of entry, plus material withdrawn from bonded warehouses.

<sup>2</sup> General imports represent ore and concentrates received in the United States irrespective of ultimate disposition.

<sup>3</sup> Preliminary, subject to revision.

<sup>4</sup> Estimated from incomplete data.

<sup>5</sup> Not available.

A program to encourage domestic production has been instituted under the Defense Production Act. Under this program the Government has undertaken to purchase at \$63 per short-ton unit, during the next 5 years, beginning July 1, 1951, all tungsten offered to it by domestic producers up to a total of 3,000,000 units. Thus, in effect, a floor price of \$63 has been established for the 5-year period, since it is not expected, on the basis of known tungsten deposits in the

United States, that a sufficient amount can be produced to bring the domestic price below the support level. In other words, on the basis of present knowledge, it is expected that most of the tungsten produced as a result of this incentive to expansion will be sold to industry at a price higher than \$63.

At the present time, comparatively little tungsten in concentrates from foreign sources is being imported into the United States by private firms, since the world price without duty is very nearly equal to the domestic price. In some instances, as indicated above, the world price has far exceeded the domestic ceiling, and in all cases since January 1, 1951, the quoted prices on spot-lot sales, plus the duty, have exceeded our ceiling prices. The import duty on tungsten concentrate, fixed under the Tariff Act at 50 cents per pound on the metallic tungsten contained therein, equals \$7.93 per short-ton unit of high-grade concentrate. Thus, with the present world price, the tariff provides an effective barrier to the importation of needed supplies of foreign tungsten by private consumers.

#### SUSPENDING THE IMPORT DUTIES ON TUNGSTEN

In addition to other incentives, the Government has embarked on a program to encourage further exploration for and development of domestic sources of supply by underwriting 75 percent of the cost of such projects which are deemed to have reasonable possibilities of success.

Since January 22, 1951, available supplies of tungsten have been allocated by the National Production Authority in the Department of Commerce in order to insure, as far as possible, that adequate supplies of the metal will be available for defense and essential civilian needs. The International Materials Conference is in process of allotting available free world supplies of tungsten among the member nations. The committee has been assured that the allotment to the United States will exceed any possible domestic production and will, thus, involve substantial importation.

While the suspension of the duties provided in H. R. 5248 will not necessarily result in any substantial increase in imports, and almost certainly will not bring the domestic price down to the \$63 support level, it will offer foreign producers, who wish to maintain an American market, some incentive to sell to American private enterprise by increasing the price which importers can afford to pay and still be in a position to sell at the domestic ceiling.

At the present time nearly all the imports of tungsten represent purchases by the Government of ores and concentrates for resale under section 303 (a) and (b) of the Defense Production Act and for the stockpile under the Strategic and Critical Materials Stockpiling Act. This purchase program was made necessary by the conditions outlined above.

Material for the stockpile comes in duty-free under the law, but it is necessary to earmark foreign tungsten for the stockpile before it enters to avoid payment of the duty. Thus, enactment of this bill would give much greater flexibility to the Government's foreign-purchase program since transfers to the stockpile could be made from inventory on hand at any time.

It is expected also that, with suspension of the duties, American importers will be in a position to encourage expansion of foreign production through furnishing financial assistance, by way of loans or advances made in connection with purchase contracts. The present need for additional tungsten is so desperate that every attempt must be made to obtain supplies from abroad.

Suspension of the duty will assist materially in obtaining those imports to which the United States is entitled under its allotment by the International Materials Conference.

Finally, while the figures as to estimated future requirements for tungsten are classified information, it may be categorically stated that for the next 2 years they are greatly in excess of any possible domestic production. The House, however, in order to protect domestic producers in the event unforeseen circumstances should occur which might increase the supply of tungsten to such an extent that the shortage might be alleviated and prices fall below present levels, has added an amendment inserting a proviso under which the President would be required to revoke the suspension of duties when, for any one calendar month, the average market price of high-grade tungsten concentrate, f. o. b. mine, falls below \$63 per short-ton unit. Determinations of tungsten prices for this purpose will be made by the Tariff Commission, which is permitted under the bill to base these determinations on prices for high-grade tungsten concentrate, f. o. b. mine, reported by the Engineering and Mining Journal's Metal and Mineral Markets. As explained above under the heading Amendments, the committee is proposing certain revisions in the language of the House proviso.

The Bureau of the Budget, Office of Defense Mobilization, Defense Production Administration, and the Defense Materials Procurement Agency have expressed their support of legislation to suspend the import duties on tungsten. It does not appear that the Treasury Department will be confronted with any unusual administrative difficulties if this bill is enacted into law.

#### CONCLUSION

In view of the present extremely critical situation with respect to tungsten, and the importance of this metal in the defense program, your committee recommends prompt enactment of the bill.

