Calendar No. 406

84TH CONGRESS 1st Session | SENATE | REPORT No. 403

SUSPENSION OF CERTAIN IMPORT TAXES ON COPPER

JUNE 1 (legislative day, MAY 2), 1955.—Ordered to be printed

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

REPORT

together with

MINORITY VIEWS

[To accompany H. R. 5695]

The Committee on Finance, to whom was referred the bill (H. R. 5695) to continue until the close of June 30, 1958, the suspension of certain import taxes on copper, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

H. R. 5695 would amend the act of May 22, 1951 (Public Law 38, 82d Cong.), as amended, so as to continue through June 30, 1958, the suspension of certain import taxes on copper imposed under section 4541 of the Internal Revenue Code of 1954 (formerly sec. 3425 of the 1939 code). It would continue in effect the provision in Public Law 38 that the President shall revoke the suspension of the import taxes before the specified termination date if the average price of electrolytic copper, delivered Connecticut Valley, for any calendar month falls below 24 cents per pound. The domestic market price of copper has averaged 30 cents per pound from March 1953 through January 1955. The current price is about 36 cents per pound.

TARIFF STATUS

Import taxes on copper have been suspended by congressional action almost continuously since the early part of 1947. Public Law 42, 80th Congress, suspended these import taxes from April 30, 1947, through March 31, 1949; Public Law 33, 81st Congress, extended the suspension through June 30, 1950; Public Law 38, 82d Congress, suspended the import taxes from April 1, 1951, through February 15, 1953; Public Law 4, 83d Congress, amended Public Law 38 to provide for a continuation of the suspension through June 30, 1954; and Public Law 452, 83d Congress, extended the suspension through June 30, 1955. Although congressional action for suspending the import taxes on copper did not become effective until April 30, 1947, practically all imports which entered during the war period were for Government account and were admitted free of the import taxes under other special authority. The import tax on the copper content of copper-bearing scrap metal also has been suspended by other legislative enactments continuously since March 1942; the last act, Public Law 678, 83d Congress, extended the suspension from June 30, 1954, through June 30, 1955.

The import taxes, the suspension of which would be continued with the enactment of H. R. 5695, apply to the copper content of copper-bearing articles, including ores and concentrates, copper matte, blister copper, refined copper, copper shapes and forms, copper-containing alloys (brass, bronze, bell metal, nickel silver, and phosphor copper), and copper content of chemicals. The copper content of copper sulfate and of composition metal which is suitable both in its composition and shape, without further refining or alloying, for processing into castings would continue to be subject to the import tax.

The import tax on refined copper and on copper-bearing ores, which represent the principal forms in which copper is imported, originally was 4 cents per pound as provided for under the Revenue Act of 1932 (now sec. 4541 of the Internal Revenue Code of 1954). As a result of concessions granted by the United States in the General Agreement on Tariffs and Trade (Geneva), the United States reduced this tax by 50 percent, effective March 16, 1949, to the present rate of 2 cents per pound on the copper content.

UNITED STATES SUPPLY AND REQUIREMENTS

As indicated by data presented in the following table, United States requirements for copper, including withdrawals of copper for the strategic stockpile as well as consumption, have equaled more than half of the total world consumption in recent years. Although the United States is also the world's largest copper producer, its requirements are so large that over one-third of the requirements (about 36 percent in the last 3 years, 1952–54) have been imported. Principal sources of copper imports in the first 11 months of 1954 were Chile (45.0 percent), Canada (14.6 percent), Africa (16.1 percent), Mexico (8.7 percent), and Peru (4.0 percent).

Copper is included in the stockpiling program of the United States as a strategic and critical material.

During 1954, United States supplies (production, imports, and producers' stocks) and requirements for copper (for industrial use and strategic stockpiling) were close to 10 percent below 1953 levels.

Mine output declined in 1954 despite the opening of several new large mines because of voluntary cuts in production by some large companies near the beginning of the year and because of work stoppages owing to labor disputes later in the year. (Similar curtailments in copper production occurred in Chile.) In the United States the reductions in production in August, September, and October because of the strikes led the Government to assist inadequately supplied consumers both by release in October of substantial quantities of copper accumulated by the Government under the Defense Production Act and by the diversion of additional quantities scheduled for delivery to the Government in October, November, and December.

Although substantial quantities of copper (including 100,000 tons of accumulated stocks of Chilean copper purchased in May) were purchased by the United States for the strategic stockpile, this was not sufficient to offset the decline in industrial consumption of copper in 1954.

Copper imports in 1954 were about 10 percent below those of 1953.

Unmanufactured copper: World consumption and production, and United States consumption, production, imports, and exports, in specified years 1935 to 1954

[1,000 short tons]

Period	Consumption		Production				United States trade	
	World	United States [1]	World smelter output	United States			Imports for consumption	Domestic exports
				Primary [2]	Secondary [3]	Total		
1935-39, average	1,697	881	2,162	625	342	967	218	324
1943	([4])	1,992	3,038	1,091	428	1,519	736	177
1946	2,401	1,518	2,070	600	406	1,006	354	54
1947	2,694	1,798	2,491	863	503	1,369	453	149
1948	2,807	1,722	2,579	842	505	1,347	485	117
1949	2,503	1,490	2,601	758	384	1,142	567	146
1950	2,980	1,891	2,916	911	485	1,396	600	155
1951	[5] 3,171	1,828	3,097	931	458	1,389	539	141
1952	[5] 3,278	1,801	3,114	927	415	1,342	[8] 637	[9] 184
1953	[5] 3,168	1,839	3,274	943	429	1,372	[8] 673	[9] 145
1954 [6]	[7] 3,100	1,631	3,200	828	422	1,250	[8] 604	[9] 295

[1] Data are compiled from statistics on production, imports, and exports, and changes in producers' and consumers' stocks, and represent approximate consumption plus withdrawals for the strategic stockpile.
[2] Represents smelter output from domestic ores, concentrates, mine-water precipitates, and tailings.
[3] Represents copper recovered in all forms from old copper and copper-base scrap.
[4] Not available.
[5] Partly estimated by applying to U. S. Bureau of Mines data for the previous year the percentage increase shown by data in 1953 Yearbook, American Bureau of Metal Statistics.
[6] Preliminary.
[7] Estimated from world production and changes in producers' stocks.
[8] Data for December estimated by assuming imports at average monthly average of preceding 11 months; quantity imported during January-November 1954 amounted to 554,000 short tons.
[9] Data for December estimated by assuming exports at average monthly average of preceding 11 months; quantity exported during January-November 1954 amounted to 270 tons.

Source: Consumption and production data from official statistics of the U. S. Bureau of Mines, except as noted; imports and exports from official statistics of the U. S. Department of Commerce.

DEPARTMENTAL REPORTS

This legislation is endorsed by the Departments of Defense, Commerce, State, and Treasury as shown in the following reports received by the chairman:

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
LEGISLATIVE AND PUBLIC AFFAIRS,
Washington 25, D. C., May 16, 1955.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to the request of your committee for the views of the Department of Defense on H. R. 5695, a bill to continue until the close of June 30, 1958, the suspension of certain import taxes on copper.

It should be noted that the proposed legislation would extend the suspension of certain import taxes on copper for a period of 3 years, rather than for the usual 1-year period.

At the present time, supplies of domestic copper are sufficient to meet military requirements. However, large quantities of foreign copper must be imported to meet combined military and industrial needs.

Therefore, in consideration of the above, the Department of Defense has no objection to the enactment of the proposed legislation.

The Bureau of the Budget has advised that there is no objection to the submission of this report to the Congress.

Sincerely yours,

RICHARD A. BUDDEKE,
Director, Legislative Programs.

THE SECRETARY OF COMMERCE,
Washington 25, D. C., May 18, 1955.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in reply to your request of May 10, 1955, for the views of this Department with respect to H. R. 5695, an act to continue until the close of June 30, 1958, the suspension of certain import taxes on copper.

This Department recommends enactment of this legislation.

At the present time, we are faced with a short supply of copper raw materials, and an unprecedented demand for copper from the automotive and durable goods industries. To meet the supply situation domestic industry normally imports more than one-fourth of the copper which it consumes. The attached table gives the statistics on domestic production and import for the year 1954 and the first quarter of 1955. It appears that domestic requirements for copper will increase and that domestic production cannot be increased correspondingly. Failure to continue the suspension of import duties would not only result in an increase in the price of foreign copper to domestic users but might also result in a loss of imports. In fact, at the present time, imports have decreased to some extent due to the higher European market. Where the need for large quantities of foreign copper is so apparent, it is believed to be essential to encourage the flow of imports by suspending the tariff. This is especially true since the suspension can have no possible adverse effect upon the domestic industry, which has been incapable of producing sufficient refined copper to meet current domestic needs.

The provisions of the present law which H. R. 5695 would extend appear to have sufficient safeguards against a reduced demand. If demand falls, the price of copper likewise would fall. If the price goes below 24 cents per pound the tariff would be reimposed automatically by administrative action.

For these reasons we recommend enactment of H. R. 5695.

We have been advised by the Bureau of the Budget that it would interpose no objection to the submission of this letter.

Sincerely yours,

WALTER WILLIAMS,
Acting Secretary of Commerce.

Supply of refined copper

[Thousands of short tons]

	1954					1955, 1st quarter [2]
	1st quarter [1]	2d quarter [1]	3d quarter [1]	4th quarter [2]	1954 year [2]	
Total production and imports	378	458	386	386	1,608	378
Production, domestic ores and scrap	259	268	222	283	1,032	273
Foreign ores	79	110	97	79	365	75
Imports of refined	40	80	67	24	211	30
Foreign copper	119	190	164	103	576	105
Percent of total	31.5	41.5	42.5	26.7	35.8	27.8

[1] Actual reported data.
Estimated by the Copper Division.

DEPARTMENT OF STATE,
Washington, May 11, 1955.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate.

DEAR SENATOR BYRD: I refer to your letter of May 10, 1955, transmitting for the views of the Department of State a copy of H. R. 5695, to continue until the close of June 30, 1958, the suspension of certain import taxes on copper.

The requirements of the United States for copper, including defense and stockpiling requirements, substantially exceed domestic production. At current high prices for copper it does not appear that the tax is necessary for the protection of American producers. Under the proposed legislation the tax would apply at prices below 24 cents per pound. The interests of American producers would, therefore, seem adequately protected under a 3-year extension.

Reinstatement of the copper tax when it is clearly unnecessary for the protection of domestic producers would, however, have an adverse effect on our relations with friendly foreign countries, principally Chile, which export copper to us.

The Department, therefore, supports the enactment of H. R. 5695.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

THRUSTON B. MORTON,
Assistant Secretary,
(For the Acting Secretary of State)

TREASURY DEPARTMENT,
GENERAL COUNSEL,
Washington, D. C., May 18, 1955,

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of May 10, 1955, requesting a statement of this Department's views on H. R. 5695, to continue until the close of June 30, 1958, the suspension of certain import taxes on copper. You stated that if the Department's views are the same as those expressed in a report to the Committee on Ways and Means, copies of that report would be satisfactory.

This Department did not submit a written report to the Committee on Ways and Means on H. R. 5695. However, it did report on an identical bill, H. R. 3202. There are enclosed copies of the Department's report on H. R. 3202.

Very truly yours,

DAVID W. KENDALL, *General Counsel.*

MARCH 8, 1955.

Hon. JERE COOPER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of February 2, 1955, requesting a statement of this Department's views on the bill (H. R. 3202) to continue until the close of June 30, 1958, the suspension of certain import taxes on copper.

The proposed legislation would amend the act of May 22, 1951 (Public Law 38, 82d Cong.), to continue until June 30, 1958, the suspension of the import taxes imposed by the Internal Revenue Code on articles other than copper sulphate and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings, not including as castings ingots or similar cast forms. The present suspension will terminate on June 30, 1955.

It is suggested that the bill also provide for the substitution of "section 4541 of the Internal Revenue Code of 1954" for "section 3425 of the Internal Revenue Code" in both places where the latter appears in the act of May 22, 1951.

This Department anticipates no unusual administrative difficulties under the proposed legislation and would have no objection to its enactment.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

H. CHAPMAN ROSE,
Acting Secretary of the Treasury.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be ommitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT OF MAY 22, 1951 (PUBLIC LAW 38, 82D CONG.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the import tax imposed under section 3425 of the Internal Revenue Code shall not apply with respect to articles (other than copper sulfate and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings, not including as castings ingots or similar cast forms) entered for consumption or withdrawn from warehouse for consumption during the period beginning April 1, 1951, and ending with the close of [June 30, 1955] *June 30, 1958*: *Provided*, That when, for any one calendar month during such period, the average market price of electrolytic copper for that month, in standard shapes and sizes, delivered Connecticut Valley, has been below 24 cents per pound, the Tariff Commission, within fifteen days after the conclusion of such calendar month, shall so advise the President, and the President shall, by proclamation, not later than twenty days after he has been so advised by the Tariff Commission, revoke such suspension of the import tax imposed under section 3425 of the Internal Revenue Code.

In determining the average market price of electrolytic copper for each calendar month, the Tariff Commission is hereby authorized and directed to base its findings upon sources commonly resorted to by the buyers of copper in the usual channels of commerce, including, but not limited to, quotations of the market price for electrolytic copper, in standard shapes and sizes, delivered Connecticut Valley, reported by the Engineering and Mining Journals' "Metal and Mineral Markets."

MINORITY REPORT IN OPPOSITION TO THE EXTENSION OF THE SUSPENSION OF CERTAIN IMPORT TAXES ON COPPER, AS PROPOSED IN H. R. 5695, 84TH CONGRESS, 1ST SESSION

The "one economic worlders" have made more progress during 1955 than ever before in our history. They have succeeded in removing the last vestige of protection for the American workingmen and investors from the foreign low-wage standard-of-living workers.

OPEN DOOR TO AMERICAN MARKETS

The 84th Congress continued the open door to the American markets for the low-wage standard-of-living nations of the world through the 3-year extension of the 1934 Trade Agreements Act.

CONGRESS' CONSTITUTIONAL RESPONSIBILITY TO THE PRESIDENT

It put the stamp of approval on the 1934 Trade Agreements Act, a transfer of the last important function of the legislative branch of our Government to the executive branch—that of the regulation of foreign trade and our domestic economy—and the approval of trade treaties by a two-thirds vote of the Senate of the United States.

It comes now with H. R. 5695, a bill already passed by the House, extending for 3 years the free trade on copper.

THE DUTY SET BY CONGRESS, 1932

In 1932 the Congress set a duty or excise tax on copper of 4 cents per pound. With copper selling for 6 cents per pound it meant an ad valorem tax of 66 percent. With a duty of 2 cents—set by the Geneva GATT—and copper at the present price of 36 cents, the duty would be 5½ percent ad valorem if it had not been suspended. The 2 cents per pound amounting to the 5½ percent ad valorem at the present price of copper is of no force and effect.

That 1932 action by Congress, through the 4-cents-per-pound duty, pointed the way to more prospecting and exploration for the red metal and to new capital investments in the copper-mining field. The 1934 Trade Agreements Act abruptly changed the trend by removing the incentive for finding new deposits through prospecting and exploration.

DUTY REDUCTION BY INFLATION

During the intervening years 1932 to 1952, inflation cheapened the purchasing power of the American dollar by more than 65 percent, making it worth about $0.35, or roughly one-third of its 1934 value. Through this action alone the duty was automatically reduced by a further 65 percent.

During the same period taxes and the cost of doing business skyrocketed by more than 500 percent, resulting in a controlled price in 1952 of 24 cents per pound. The foreign price was 30 cents per pound and up.

UNITED STATES-FINANCED COMPETITION

The foreign or world price was boosted above our domestic price through our foreign monetary-aid program—we furnished foreign nations the money to bid against us for goods in the world market.

UNIT PRICE MANIPULATION

In 1954 the average domestic price for the year was approximately $0.29 per pound. At the same time the foreign price was $0.35.

Early this year of 1955 the domestic price was boosted to $0.36 by the three major companies producing approximately 80 percent of the domestic supply.

PRESIDENT CAN LOWER DUTY

The President, under the H. R. 1 extending the 1934 Trade Agreements Act to June 12, 1958, can further lower the duty 15 percent during that period.

CONGRESS ABANDONED ALL PRINCIPLE

What does all of this erratic record mean? What does it add up to? It simply means that Congress has abandoned all principle in the regulation of the domestic economy and foreign trade.

The Congress not only transferred to the President its constitutional responsibility to regulate the foreign trade and the national economy under article I, section 8, of the Constitution but set the example of wiping out all protection for the workingmen and investors, on a very important and necessary product.

Copper is one of the most critical metals affecting our national security.

WESTERN HEMISPHERE PRODUCED SECURITY

Our security is not threatened through imports from South America. Any going-concern production in the Western Hemisphere can be protected.

SOUTH AFRICA COULD ENDANGER SECURITY

The South African potential is approximately 25 percent of the 2,750,000 tons of annual world production or about 700,000 tons, and cannot be protected.

Our actual domestic production is 32 percent of the present world potential production, or about 900,000 tons.

LIVING ON A WAR ECONOMY

We are living on a war economy; therefore the $0.36 per pound can be supported.

Peru has a potential production of 200,000 tons per year at Toquepala in the southeastern corner of that nation near the Chilean border, within 2 years. She can reach 400,000 tons annual production within a reasonable time.

Any letup of the present war pressure would result in a lessening of the demand with a consequent decreased world unit price.

THREE MAJOR COMPANIES PRODUCE 80 PERCENT

The 3 major domestic companies produce 80 percent, 7 companies produce 92 percent, and 25 companies produce 98 percent of the domestic supply.

The seven companies are listed in the order of their production for 1953:

Company [1]	Short tons	Percent of total United States
Total United States	926,000	
Kennecott Copper Corp	420,000	46
Phelps Dodge Corp	224,000	24
Anaconda Copper Mining Co	74,000	8
Inspiration Consolidated Copper Co. (Anaconda holds 28 percent of issued stock)	40,000	5
Miami Copper Co. (including Castle Dome Copper Co., Inc.)	47,000	5
Magma Copper Co	25,000	3
Calumet & Hecla, Inc	20,000	2
Total above companies	859,000	93

[1] Individual company figures from Yearbook of the American Bureau of Metal Statistics, 1953.

There were over 300 active copper-producing mines in the United States in 1953, most of them relatively small. The 25 largest mines produced 98 percent of the total copper.

Two of the major companies, the Anaconda Co. and the Kennecott Copper Corp., bring in substantially all of the approximately 500,000 tons of the annual imports of copper, mostly from Chile.

NO NEW PRODUCERS

Our own taxpayers contributed to the development of the South African copper production. Under the Geneva General Agreement on Tariffs and Trade and the action proposed by Congress extending the free trade on copper, any lull in foreign buying would send this cheap-labor-produced metal into this country in a large volume.

Under the now existing situation with no duty on copper, or should this bill not pass, with the 2 cents per pound set by the Geneva GATT in the multiple-trade-agreements arrangement there can be no new individuals or companies enter the business of copper production, since the threat of foreign-produced copper coming in and destroying the investment would prevent such development.

CONGRESS DESTROYED PRINCIPLE OF PROTECTION

Congress has utterly destroyed the century-old principle of protection of the workingmen and investors through the adjustment of the duties or tariffs on the basis of fair and reasonable competition—the duty making up the difference between the wage-standard of living, taxes, and cost of doing business here and in the chief competing country on each product.

GUARANTEED UNIT PRICE ONLY OTHER METHOD

The only other method of inducing additional independent producers to invest in the business would be a long-range guaranteed unit price per pound so that such investments could be amortized. In a business requiring such large investments—maybe 40 or 50 million dollars and 3 to 5 years' time—a 20-year guaranty would not be too long.

THIS NATION COULD BE SELF-SUFFICIENT

If the present $0.36 per pound price could be established by the Government over a 20-year period with an escalator clause for inflation then well within a 10-year period we would be producing all of the copper this country could possibly consume. Our present annual consumption is approximately 1,500,000 tons. We might easily require 2 million tons annually within 20 years or less.

The same general result could well be obtained through Congress reestablishing the principle of a flexible duty or tariff continually adjusted by the Tariff Commission, an agent of Congress, on the basis of fair and reasonable competition.

SECURITY OF THIS NATION

Our security is not threatened through dependency upon Western Hemisphere sources. Such security would be seriously threatened through dependency upon South African production.

ECONOMIC STRUCTURE THREATENED

The proper growth of our economic structure can be seriously retarded through free trade with the low-wage standard of living countries wherever located, on products, such as copper, which can be produced in substantial amounts in this country.

NO DUTY ON 60 PERCENT OF VALUE

It must be remembered that we do not now have and never have had a duty or tariff on 60 percent of our imports in value. It has never been the policy of this Nation to place a duty on any imported article not produced here in substantial amounts.

DIFFERENCE IN WAGE-STANDARD OF LIVING

It has never been the policy of this Nation to place a duty or tariff on imports of more than the difference in the effective wage-standard of living, taxes, and the general cost of doing business here and in the chief competing country on each product.

PROPER DUTY DOES NOT PREVENT IMPORTS

Such a duty adjusted on the basis of fair and reasonable competition does not prevent imports, but does bring them in on our standard of living basis when needed.

GOVERNMENT IN BUSINESS

In the absence of such a protection principle established by Congress no new investments will go into the production of any article or product needing a duty to equalize the labor, taxes, and general cost of doing business here and in the chief competing country.

Practically the entire list of domestic copper mining companies have availed themselves of Government aid in some form—either a direct loan, a guaranteed unit price, or a short amortization period for their investment—or all three.

The San Manuel Copper Corp., for example, secured a $94 million loan from the RFC and a $51 million short-term amortization.

The Newmont Mining Co. owns a large number of shares in the Magna Copper Co. which is the parent company of the San Manuel Copper Corp.

GOVERNMENT DOES NOT PAY DUTY

The Government does not pay the duty on copper imported for the stockpile or for Government use—and if a private company imports the copper for national defense material purchased by the Government, the company pays the duty to the Government and then charges it back to the Government in the price for the finished product.

The Congress fell into the trap of suspending the copper 1932 duty through the Government importing the metal for its own use and for the stockpile following World War II.

It was then argued in 1947 that since the Government was not paying the duty set by Congress in 1932 it should be suspended by a special act.

Congress therefore suspended the duty in 1947 and has periodically extended the suspension since that time without reviewing the reasons for such suspension in the first place.

CONGRESS DESTROYING SMALL BUSINESS

Congress is destroying small business through its own action, while giving it lip service through official committees. Small business, defined for the purpose of this statement, as a business of such a size or such a nature that it cannot go behind the low-wage curtain and establish production and supply the American market.

FAIR AND REASONABLE COMPETITION

Without a firm long-range policy for protection on a fair and reasonable competitive basis with the rest of the world, there can be no incentive to search for copper deposits or any other kind of mineral deposit, and if a deposit of value were found under conditions as they exist today, it could not be financed except through Government aid, which means the small taxpayer foots the bill, of course.

PRESENT POLICY REQUIRES GOVERNMENT ASSISTANCE

Several large copper properties have been opened in the last 4 years, but it can be safely said that none of them would have been in operation except through Government assistance. One of the largest, the San Manuel property in Arizona, received a loan for $94 million and a guaranteed price for its production. The cost of opening a large mining property may run as high as $30,000 to $50,000 for each man employed, so it can be readily understood that private capital will not go into a venture of that kind without some guaranty that there will be no arbitrary meddling with the price on the part of Government officials in the future.

ARBITRARY ACTIONS—CONTROLLED PRICE

The vagaries of international commodity prices are risk enough without arbitrary action by the Executive. In 1932 the price of copper was under 6 cents, reaching an alltime low along with several other metals. In 1951 and 1952 the price was controlled by the Government at approximately 24 cents although it reached a much higher price abroad. In 1954 the price was a little over 29 cents and today, in 1955, it is 35 cents although it has gone as high as 45 cents abroad. The price can be controlled at will by 4 or 5 of the world's big producers, so there is no reason why an investor, even though he is willing to take a gamble, would put his money into a small independent copper property.

DUTY INSIGNIFICANT IN PROCESSED PRICE

It is argued by advocates of free trade that the imposition of the 2-cent excise tax on copper would greatly increase the price of products bought by the ultimate consumer. An automobile is probably the largest item that an individual consumer would buy for his personal use and on the average it contains about 45 pounds of copper. At 2 cents per pound excise tax, the cost would come to 90 cents. This would make very little difference to the buyer of a $3,000 car.

TARIFF ON PROCESSED ARTICLES—FREE TRADE RAW MATERIALS

The same is true when applied to many household items or items for personal use, such as lipsticks, compacts, cigarette cases and lighters, pencils, pens, etc. But the manufacturers of these items for personal use are very unhappy when any mention is made to remove all levies on the things that they make.

SHOULD BE A TWO-WAY STREET

It is argued that to remove the suspension of the excise tax would be an unfriendly act toward the countries who are the major exporters of copper to this country. These countries protect their own production through exchange permits, import permits, and the manipulation of the price of their money in terms of the dollar.

The distress caused by a break in lead and zinc during 1953 and 1954 should serve as a lesson in handling copper. The price is high at the moment, but it can always break, with disastrous results to the industry and the Nation.

A summary of the situation was well stated by an eminent mining engineer that an import fee was always needed due to the lower foreign standards of living—and one is needed today:

1. Our domestic copper-producing industry is a national asset of first magnitude—vital to the peacetime economy and to national security. To so maintain

it through the protection of an import tax is a well-established policy of the United States. Such protection was suspended temporarily only to meet an abnormal demand, the end of which is clearly in sight.

2. Mines themselves, and mining communities, are uniquely susceptible to injury from shutdowns—even though resumption is hoped for. Valuable reserves may be lost forever. Vital exploration and development languish; payrolls shrink; dependent and related business stagnates.

3. Future consumption, based on past experience and statistics, can be met by domestic mine production. Satisfaction of the war-created, pent-up demand which, with the Government stockpile, has required substantial imports over the last 4 years, has nearly been accomplished. In any event, the needs of the stockpile furnish no basis for opposition to the import tax.

4. The existence of a tremendous surplus of foreign productive capacity, and the history of what has taken place in the case of lead and zinc, provide assurance that, if for a period there should be a demand for copper which the domestic industry could not supply, it would be furnished to domestic consumers at a price never above the prevailing domestic price.

5. The domestic copper-producing industry, its stockholders, its employees, its communities, and the States in which it operates all are threatened by a single important fact, a large potential surplus of foreign copper. That surplus is largely low-cost copper. The lower foreign costs are in substantial measure due to the lower standard of living of the foreign miner. Those facts always have been thought in the United States to justify an import tax. They justify one today.

TWO WAYS TO REVIVE INCENTIVE

There are only two ways to reestablish the incentive for prospecting and exploration for copper: First, through Congress reaffirming the principle of adjusting the duty on the basis of fair and reasonable competition, and, second, for the Government to establish a long-range guaranteed price per unit for the metal—perhaps 20 years at 36 cents per pound.

O