Calendar No. 23

83D CONGRESS 1st Session | SENATE | REPORT No. 35

COPPER IMPORT-TAX SUSPENSION

FEBRUARY 4, 1953.—Ordered to be printed

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

REPORT

[To accompany H. R. 568]

The Committee on Finance, to whom was referred the bill (H. R. 568) to continue until the close of June 30, 1954, the suspension of certain import taxes on copper, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

Public Law 38, Eighty-second Congress, provides for the suspension until February 15, 1953, of the 4 cents per pound import tax on copper imposed by section 3425 of the Internal Revenue Code (26 U. S. C., sec. 3425) and revised to 2 cents by a trade agreement which became effective March 16, 1949. This law, which is presently in effect, would end the suspension whenever the average price of electrolytic copper falls below 24 cents per pound for any calendar month, or when the national emergency proclaimed by the President on December 16, 1950, is terminated.

H. R. 568 continues this suspension until June 30, 1954, along with the proviso that the import tax shall be restored whenever the price of copper, for any calendar month, falls below 24 cents per pound. It does not continue the provision in the present law that would end the suspension with the termination of the current national emergency.

A study of the facts and testimony offered has led to the conclusion that a further suspension until June 30, 1954, of the import tax on copper will not endanger the domestic industry or tend to limit domestic output.

The current United States demand for copper is estimated to be about 174,000 short tons per month. The total available supply is not expected to exceed 140,000 tons per month. Of this supply about 90,000 tons, including 5,000 tons from scrap, are expected from domestic sources and about 50,000 tons from foreign sources.

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Very little domestic copper is exported, although copper refined from imported ore and then exported has amounted to about 14,000 tons per month. It is expected that this will be reduced to about 8,000 tons per month during 1953.

The following table, provided by the United States Tariff Commission, shows United States and world consumption and production of copper and United States imports and exports for selected years.

Unmanufactured copper: World consumption and mine output, and United States consumption, production, imports, and exports, in specified years 1935–52

[1,000 short tons]

Period	Consumption		Production				United States trade	
	World	United States[1]	World smelter output	United States: Primary[2]	United States: Secondary[3]	United States: Total	Imports for consumption	Domestic exports
1935–39 average	1,697	881	2,162	625	342	967	218	324
1943	(4)	1,992	3,037	1,091	428	1,519	730	177
1946	2,401	1,518	2,069	600	406	1,006	354	54
1947	2,694	1,798	2,525	863	503	1,369	453	149
1948	2,807	1,722	2,638	842	505	1,347	485	147
1949	2,563	1,490	2,648	758	384	1,142	567	146
1950	2,980	1,891	2,961	911	485	1,396	600	155
1951[5]	[6] 3,171	1,857	3,135	931	496	1,427	537	141
1952:[5]								
January-March	(4)	452	(4)	237	117	344	140	36
April-June	(4)	395	(4)	227	110	337	113	55
July-September	(4)	468	(4)	224	94	318	195	49
October-November	(4)	303	(4)	158	58	216	120	29

[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] Preliminary.
[6] Partly estimated by applying to U. S. Bureau of Mines data for the previous year the percentage increase shown by data in 1951 Yearbook, American Bureau of Metal Statistics.

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.

Domestic copper prices for domestically produced copper are limited (for each seller) by the general ceiling price regulation established by the Office of Price Stabilization which became effective on January 26, 1951, to the highest prices at which copper had been sold in the United States from December 19, 1950, to January 25, 1951, inclusive. In effect this, with minor exceptions, established a ceiling of 24.5 cents a pound for domestically produced electrolytic copper, delivered Connecticut Valley. The price of 24.5 cents a pound for crude copper has prevailed in the United States from October 2, 1950, to the present day.

The United States consumes about one-half of the world's output of copper; most of the foreign supply is imported from Chile. An agreement made early in 1951 between the United States and the Chilean Government set a temporary price for copper from that country at 27.5 cents a pound. In June 1952, foreign copper was exempted from all price control and since that time copper from Chile, as well as from other foreign sources, has sold in the United States for 36.5 cents a pound.

On July 1, 1952, the OPS increased the ceiling prices on copper and brass mill products to enable the fabricators to pass on, in the form of higher prices, 80 percent of the difference in the cost of foreign and domestic copper.

Your committee has taken cognizance of the wide disparity between prices for domestically produced copper and prices paid domestically for foreign copper and of the possible repressive effect of this disparity on domestic production. Amendments were considered to deal with this situation but since they were involved in possible future price control and future domestic mining incentive legislation, it was concluded the subject could more appropriately be considered after there is a clearer view of the future of price controls and further study of the domestic mining situation and measures necessary for its improvement.

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1st Session } { Part 2

COPPER IMPORT-TAX SUSPENSION

FEBRUARY 10, 1953.—Ordered to be printed

Mr. BUTLER of Nebraska, from the Committee on Finance, submitted the following

MINORITY VIEWS

[To accompany H. R. 568]

By way of background, all Members of the Senate should realize that under policies established by the previous administration and continued up until now, the price of domestic copper has been held to approximately 24½ cents per pound, while imported copper has been permitted to bring whatever the market will bear. Thus, during recent weeks, the price paid in this country for imported copper has been 36½ cents per pound. This strange result has been achieved through the imposition of a price ceiling on domestically produced copper, which ceiling has not been applied to imported copper.

This extreme price differential in favor of foreign copper production operates as a strong incentive to the development of foreign ores, and a strong deterrent to development of domestic copper ores. With the 2-cents-per-pound import tax on copper suspended, foreign production has a 12-cent advantage over American production. Even if the import tax should be reimposed, foreign producers would still have a 10-cent-per-pound advantage over domestic producers.

We have no objection to bringing in foreign copper to supplement our own production when our needs are greater than domestic production can meet. However, we do believe it is profoundly unwise to give a price incentive to foreign production while discouraging the development of domestic sources through such gross discrimination as is evidenced here. To mention only the long-range national defense aspect, we are very foolish not to make every effort to locate domestic ore bodies and provide for their proper exploitation.

During consideration of this bill by the Senate Finance Committee, an amendment was informally proposed which would have prohibited any price ceilings on domestic copper below the price level at which copper was permitted to be imported—in other words, the world price. Unfortunately, the urgency of committee action was so great that it did not prove possible for the committee to give adequate consideration to this major aspect of the copper situation.

No blame attaches to the committee for its inability to delve into this question. However, in our judgment, Congress would be wise to explore the whole copper problem thoroughly. If policies now or hereafter followed result in persistent favoritism to foreign production at the expense of American production, we believe we may live to regret our lack of foresight in failing to stimulate adequate American sources to carry us through the emergencies we may face in the future.

Hugh Butler.
Ralph E. Flanders.
George W. Malone.
Wallace F. Bennett.
Edwin C. Johnson.
J. Allen Frear, Jr.

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