IMPORT TAX ON LEAD AND ZINC

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HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

FIRST SESSION

ON

S. 2376

A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO IMPOSE IMPORT TAXES ON LEAD AND ZINC

JULY 22, 23, AND 24, 1957

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IMPORT TAX ON LEAD AND ZINC

MONDAY, JULY 22, 1957

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Anderson, Martin, Williams, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing today is on the bill S. 2376, copy of which I now place in the record. Also, I submit for the record a letter from the Secretary of the Interior, transmitting the original draft bill which was subsequently introduced by Senators Bennett and Watkins as Senate bill 2376. Departmental reports received from the United States Tariff Commission and Departments of Treasury and Commerce are likewise being placed in the record at this point.

(The matter referred to is as follows:)

[S. 2376, 85th Cong., 1st sess.]

A BILL To amend the Internal Revenue Code of 1954 to impose import taxes on lead and zinc

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 38 of the Internal Revenue Code of 1954 is hereby amended as follows:

(a) by redesignating subchapters "D", "E", "F", and "G" thereof as subchapters "E", "F", "G", and "H", respectively;

(b) by changing "F" in section 4601 to "G", and by changing "E" in sections 4601 and 4602 to "F"; and

(c) by inserting a new subchapter "D" to read as follows:

"Subchapter D—Lead and Zinc

"PART I—LEAD

"SEC. 4545. (a) All duties imposed under paragraphs 72, 391, and 392 of the Tariff Act of 1930 shall cease to be applied to articles specified in subsection (b) of this section entered, or withdrawn from warehouse, for consumption on and after the day of initial application of this subsection pursuant to section

4518; and thereupon there shall be applied to such articles taxes at the rates set forth in subsection (b), subject to the conditions provided for therein.

"(b) RATES OF TAXES.—

"Article	If the determined average market price for lead is—		
	Less than 17 cents but not less than 16 cents per pound	Less than 16 cents but not less than 15 cents per pound	Less than 15 cents per pound
On the following articles provided for in paragraph 72 of the Tariff Act of 1930.			
Litharge	$1\frac{1}{8}$ cents per pound	$2\frac{1}{4}$ cents per pound.	$3\frac{3}{8}$ cents per pound.
Red lead	$1\frac{1}{8}$ cents per pound.	$2\frac{1}{4}$ cents per pound.	$3\frac{3}{8}$ cents per pound.
Orange mineral	$1\frac{1}{4}$ cents per pound.	$2\frac{1}{2}$ cents per pound.	$3\frac{3}{4}$ cents per pound.
White lead	$1\frac{1}{20}$ cents per pound	$2\frac{1}{10}$ cents per pound.	$3\frac{3}{20}$ cents per pound.
Pigments in chief value of suboxide of lead.	$1\frac{1}{2}$ cents per pound	3 cents per pound.	$4\frac{1}{2}$ cents per pound.
Other pigments containing lead	10 per centum ad valorem.	20 per centum ad valorem.	30 per centum ad valorem.
On lead-bearing ores, flue dust, and mattes of all kinds, provided for in paragraph 391 of the Tariff Act of 1930.	$\frac{1}{2}$ cent per pound on the lead contained therein.	$1\frac{1}{4}$ cents per pound on the lead contained therein.	2 cents per pound on the lead contained therein.
On lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, babbitt metal, solder, and alloys or combinations of lead, provided for in paragraph 392 of the Tariff Act of 1930.	1 cent per pound on the lead contained therein.	2 cents per pound on the lead contained therein.	3 cents per pound on the lead contained therein.
On lead in sheets, pipe, shot, glazier's lead, and lead wire, provided for in paragraph 392 of the Tariff Act, 1930.	$1\frac{3}{16}$ cents per pound.	$2\frac{3}{8}$ cents per pound.	$3\frac{9}{16}$ cents per pound.

"PART II—ZINC

"SEC. 4546. (a) All duties imposed under paragraphs 77, 393, and 394 of the Tariff Act of 1930 shall cease to be applied to articles specified in subsection (b) of this section entered, or withdrawn from warehouse, for consumption on and after the day of initial application of this subsection (b) of this section pursuant to section 4548; and thereupon there shall be applied to such articles taxes at the rates set forth in subsection (b), subject to the conditions provided for therein.

"(b) RATES OF TAXES.—

"Article	If the determined average market price for zinc is—		
	Less than 14½ cents but not less than 13½ cents per pound	Less than 13½ cents but not less than 12½ cents per pound	Less than 12½ cents per pound
On the following articles provided for in paragraph 77 of the Tariff Act of 1930:			
Zinc oxide and leaded zinc oxides containing not more than 25 per centum of lead:			
In any form of dry powder. .	⅜ cent per pound...	1 1/10 cents per pound	1 13/20 cents per pound.
Ground in or mixed with oil or water.	¾ cent per pound...	1½ cents per pound.	2¼ cents per pound.
Lithopone, and other combinations or mixtures of zinc sulfide and barium sulphate:			
Containing by weight less than 30 per centum of zinc sulfide.	¾ cent per pound...	1½ cents per pound.	2¼ cents per pound
Containing by weight 30 per centum or more of zinc sulfide.	⅞ cent per pound and 7½ per centum ad valorem.	1¾ cents per pound and 15 per centum ad valorem.	2⅝ cents per pound and 22½ per centum ad valorem.
On zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum zinc provided for in paragraph 393 of the Tariff Act of 1930.	⅜ cent per pound on the zinc contained therein.	1 1/10 cents per pound on the zinc contained therein.	1⅘ cents per pound on the zinc contained therein.
On the following articles provided for in paragraph 394 of the Tariff Act of 1930:			
Zinc in blocks, pigs, or slabs......	½ cent per pound...	1¼ cents per pound.	2 cents per pound.
Zinc dust........................ ..	7/10 cent per pound..	1⅖ cents per pound.	2 1/10 cents per pound.
Zinc in sheets:			
Coated or plated with nickel or other metal (except gold, silver, or platinum), or solutions.	1⅛ cents per pound	2¼ cents per pound.	3⅜ cents per pound.
Other.........................	1 cent per pound....	2 cents per pound...	3 cents per pound.
Old and worn-out zinc fit only to be remanufactured, zinc dross, and zinc skimmings.	¾ cent per pound...	1½ cents per pound.	2¼ cents per pound.

"PART III—GENERAL PROVISIONS

"SEC. 4547. Definition.—As used in this subchapter, the phrases 'average market price for lead' and 'average market price for zinc' mean, respectively, the average market price for common lead (in standard shapes and sizes delivered at New York City), and the average market price for slab zinc (prime western, free on board, East Saint Louis, Illinois), each determined for a period of three consecutive calendar months as hereinafter provided.

"SEC. 4548. Applicability of taxes.—(a) The provisions of subsection (a) of section 4545 and of subsection (a) of section 4546 shall be applied on and after the first day of the calendar quarter-year following the notification by the United States Tariff Commission made pursuant to subsection (b) of this section.

"(b) As soon as practicable after a day to be notified to the United States Tariff Commission by the President, but in any event as soon as practicable after the last day of the second month of the calendar quarter-year following that in which this section is added to the Internal Revenue Code, the Commission shall determine the average market price for lead and the average market price for zinc during the three consecutive calendar months ending on that day, notify the Secretary of the Treasury of its determination, and cause such notification to be published in the Federal Register. The average market prices so notified and published shall be the determined average market prices governing the applicability of the taxes set forth in parts I and II of this subchapter to articles described therein entered, or withdrawn from warehouse, for consumption during the calendar quarter-year following the calendar quarter-year in which such determination is made.

"(c) The Tariff Commission shall make a similar determination of the average market price of lead and the average market price of zinc for each period of three consecutive calendar months ending at the close of the first two months of each calendar quarter-year (beginning with the calendar quarter-year following the notification of the Tariff Commission to the Secretary of the Treasury provided for in subparagraph (b) of this section), and, after notification and publication as in the case of the determinations made pursuant to subsection (b) of this section, the average market prices so notified and published shall be the determined average market prices governing the applicability of the taxes set forth in parts I and II of this subchapter to articles described therein entered, or withdrawn from warehouse, for consumption during the calendar quarter-year following the calendar quarter-year in which such determination is made.

"(d) No tax shall be applied hereunder to the lead contained in copper, gold, or silver ores, or copper mattes, or to the zinc contained in lead or copper ores, unless actually recovered."

SEC. 2. (a) Subject to the qualifications provided for in subchapter D added to the Internal Revenue Code by section 1, this Act shall enter into force on the day following the day of its enactment.

(b) The treatment provided for imports of articles described in subchapter D of chapter 38 of the Internal Revenue Code of 1954, added by section 1, shall, for the purposes of section 350 of the Tariff Act of 1930, as amended, be considered as having been in effect continuously since the original enactment of section 350: *Provided*, That, for the purposes of including a continuance of the customs treatment provided for in subchapter D in any trade agreement entered into pursuant to section 350 prior to the initial application of that subchapter pursuant to section 4548 thereof, the provisions of section 4 of the Trade Agreements Act, as amended (19 U. S. C. 1354), and of section 3 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C. 1360), shall not apply.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., June 19, 1957.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington, D. C.

DEAR MR. PRESIDENT: There is enclosed a draft bill to amend the Internal Revenue Code of 1954 to impose import taxes on lead and zinc.

It is requested that this proposed bill be referred to the appropriate committee for consideration, and it is recommended that it be enacted.

The draft bill would substitute for the present tariffs applicable to lead and zinc articles sliding scale excise taxes which would become effective when prices decline to levels that would threaten serious injury to domestic producers. Such excise taxes would be suspended when prices return to and remain firm at levels sufficiently high to prevent economic distress to the domestic industries. The proposed excise taxes applicable to each of the commodities would be imposed in three stages as follows:

1. For lead metal (as distinguished from ores, concentrates, and other forms of unmanufactured lead), if the average price during a 3-month period is—

17 cents or above, the excise tax would be suspended;
16 cents to 17 cents, the excise tax would be 1 cent;
15 cents to 16 cents, the excise tax would be 2 cents;
Below 15 cents, the excise tax would be 3 cents.

2. For zinc metal (as distinguished from ores, concentrates, and other forms of unmanufactured zinc), if the average price during a 3-month period is—

14½ cents ar above, the excise tax would be suspended;
13½ cents to 14½ cents, the excise tax would be one-half cent;
12½ cents to 13½ cents, the excise tax would be 1¼ cents;
Below 12½ cents, the excise tax would be 2 cents.

The application of the appropriate excise taxes would be made quarterly. Determination of the average prices for lead and zinc which would form the basis for the taxes to be imposed in any particular quarter would be made by the Tariff Commission at the end of the second month of the preceding quarter, based upon prices during the preceding 3 calendar months for common lead in the New York City market, and for slab zinc in the East St. Louis, Ill., market.

Section 2 (b) is designed to clarify the status of these products under existing trade-agreements legislation.

The desirability of legislation along the lines proposed in the draft bill has been particularly demonstrated by the recent sharp decline in the prices of these two commodities and the increasing surpluses in the world markets.

The threat of injury faced by these industries stems largely from actions taken as a result of the Korean conflict. The Federal Government at that time stimulated production of many essential minerals at home and abroad in the free world. Mineral raw materials were needed to build ships, tanks, guns, and planes for immediate use, and in order to accelerate stockpiling. Price controls in the United States held down the expansion of domestic production of lead and zinc and prevented domestic producers from taking full advantage of worldwide demand. Foreign producers, not subject to such price controls, expanded production rapidly.

Following the armistice in Korea, anticipated demand for lead and zinc did not materialize, and prices declined sharply. Domestic producers promptly cut back their production but foreign producers generally did not. Some of them may have been able to write off their plant costs by the high prices they had received in foreign markets, or the grade of ore and labor costs may have permitted them to produce more cheaply. In any event, record imports of these commodities entered the country and domestic producers experienced distress.

Inasmuch as the tariff rates on lead and zinc had been reduced under trade agreements, the industries petitioned for relief under the "escape clause." The Tariff Commission recommended the maximum permissible increases in the duties on these commodities. However, the President, acting in the overall national interest, did not implement these recommendations; instead, he directed that procurement for the strategic stockpile and exchange of agricultural surpluses for lead and zinc be accelerated. These Government procurement programs have served to bolster the market for some time, but present market conditions are such that the lead and zinc industries again are threatened with substantial injury.

The proposed bill would provide the kind of protection we believe the domestic producers of lead and zinc require, without materially restricting, at the same time, needed imports of these commodities. Enactment of the proposal will constitute legislative authorization for this important aspect of the administration's long-range minerals program as it was presented to the Congress on June 4, 1957.

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

Sincerely yours,

FRED A. SEATON,
Secretary of the Interior.

UNITED STATES TARIFF COMMISSION,
Washington, July 29, 1957.

MEMORANDUM FOR THE SENATE COMMITTEE ON FINANCE ON S. 2376 AND THE HOUSE COMMITTEE ON WAYS AND MEANS ON H. R. 8265 AND H. R. 8702, IDENTICAL BILLS INTRODUCED IN THE 85TH CONGRESS TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO IMPOSE IMPORT TAXES ON LEAD AND ZINC

Since S. 2376 and H. R. 8257 and H. R. 8702 are identical, they will, for convenience, hereinafter be referred to collectively as "the bill."

ANALYSIS OF THE PROVISIONS OF THE BILL

General plan of proposal.—Section 1 of the bill would make the necessary changes in chapter 38 of the Internal Revenue Code of 1954 in order to accommodate the insertion therein, in proper sequence, of a new subchapter D.

Sections 4545 and 4546 of subchapter D would, when effective, discontinue the application of tariff duties presently imposed on the lead and zinc articles provided for in paragraphs 72, 77, 391, 392, 393, and 394 of the Tariff Act of 1930, and in lieu thereof would establish for these articles a schedule of import taxes to be assessed under the Internal Revenue Code. Under the provisions of the bill there would be imposed during each calendar quarter year, upon each imported article of lead or zinc, 1 or 3 rates of import taxes, or no import taxes at all, depending upon the "average domestic market price of lead or zinc" prevailing during the 3 months ending a month before the calendar quarter during which the taxes would be applicable. The proposed taxes on lead or zinc articles would vary inversely with the domestic market prices of lead or zinc, and when the market prices of lead or zinc shall have reached certain specified levels in the preceding 3-month period the lead or zinc articles would be permitted tax-free entry.

Section 4547 defines the "average market price" of lead and zinc that would govern the applicability of the proposed import taxes.

Section 4548 prescribes when sections 4545 and 4546 become initially effective, and designates the Tariff Commission as the agency for determining the "average market price" which is to govern the rate of tax for the initial and succeeding calendar quarter years.

Section 2 (b) provides that for the purposes of section 350 of the Tariff Act of 1930, as amended (the Trade Agreements Act), the treatment provided for imports of lead and zinc articles by the new proposed subchapter D of chapter 38 of the Internal Revenue Code of 1954 shall be considered as having been in effect continuously since the original enactment of such section 350 (June 12, 1934). Since the President's authority to increase or decrease rates of duty under section 350 is related to the rates of duty "existing on January 1, 1945" and "existing on January 1, 1955," respectively, section 2 (b) will make the new import taxes subject to Presidential modification under section 350. The proviso to section 2 (b) would permit the President, prior to the initial application of subchapter D, to enter into a trade agreement pursuant to section 350 providing for a continuance (binding against increase) of the new taxes without complying with the "peril point" procedure, pursuant to section 3 of the Trade Agreements Extension Act of 1951, as amended. The "peril point" procedure would have to be complied with, however, before any agreement is entered into modifying the taxes provided for in the bill.

Periods of applicability of proposed taxes and method of determining applicable taxes.—The taxable status of the lead and zinc articles specified would be determined for each calendar quarter year (that is, for January–March, April–June, July–September, and October–December).

The taxable status of each lead article, or that of each zinc article, would depend upon the average domestic market price of lead or zinc, respectively, during the 3 consecutive calendar months ending at the close of the first 2 months of the preceding calendar quarter year (that is, for the 3 consecutive calendar months ending with February, May, August, and November). Thus, 1 calendar month would elapse between the 3-month period for which prices governing the applicability of the proposed taxes would be determined and the calendar quarter during which the taxes based on these prices would apply.

The bill specifies that the average market prices to be used for determining the taxable status of the articles shall be common lead (in standard shapes and sizes delivered at New York City), and slab zinc (prime western, free on board, East St. Louis, Ill.), as determined by the United States Tariff Commission. The Tariff Commission is directed to (1) determine the average market prices as soon as practicable after the last day of the second month of each calendar quarter, (2) notify the Secretary of the Treasury of its determination, and (3) cause such notification to be published in the Federal Register. The determined average market prices so notified and determined would govern the applicability of the taxes to the calendar quarter year following the quarter in which the prices were determined.

No taxes or duties would be applicable to the lead articles under paragraphs 72, 391, and 392 if the average market price for lead for the 3 consecutive calendar months is 17 cents per pound or more. And no taxes or duties would be applicable to the zinc articles under paragraphs 77, 393, and 394 if the average market price of zinc during the 3 consecutive calendar months is 14½ cents per pound or more.

It is assumed that "the average market price for lead and the average market price for zinc during the 3 consecutive calendar months" referred to in section 4547 of the proposed new subchapter D of the bill, and which will govern the applicability of the proposed taxes, means the average price of lead or zinc for each 3-month period as a whole.

It may be noted in this connection that the authority most commonly accepted by the trade on market prices of lead and zinc in the United States is the Engineering and Mining Journal which publishes average market prices of lead and zinc for each market day, week, and month in its Metals and Mineral Markets, a weekly publication. The daily averages are averages of prices at which sales of primary lead or zinc are made on a flat-price basis by leading domestic producers. The daily averages are weighted by the quantities sold on this basis. The weekly and monthly averages are simple arithmetic (unweighted) averages of the daily averages. If the bill here considered is enacted into law, the Tariff Commission, in carrying out its responsibilities of "determining" the average market prices, would use the prices as reported by the Engineering and Mining Journal in the above-mentioned publication. The averages for the 3 months' periods would be computed by taking a simple arithmetic average of the 3 consecutive published monthly averages.

The rates of proposed import taxes.—The bill would impose 1 of 3 rates of taxes on each of the lead and zinc articles whenever the determined average market price of lead is less than 17 cents per pound and the determined average market price of zinc is less than 14½ cents per pound. Tables 1 and 2 (all tables are at the end of this memorandum) show the rates of taxes that would apply for lead and zinc articles, respectively, along with the 1930 rates of duty, the current rates of duty, and the duties recommended for certain of the articles by the Tariff Commission in its May 1954 escape-clause report to the President.

As indicated in the first 3 columns of table 1, the lowest proposed taxes would be applicable to the lead articles when the determined average market price for lead is less than 17 cents but not less than 16 cents per pound. The intermediate rates of taxes would be applicable when the determined average market price for lead is less than 16 cents but not less than 15 cents per pound. And the highest taxes would apply to the lead articles when the determined average market price for lead is less than 15 cents per pound.

For example, the tax on lead in pigs or bars would be 1 cent per pound on the lead content when the determined average market price for lead is less than 17 cents but not less than 16 cents per pound; the tax would be 2 cents when the average market price for lead is less than 16 cents but not less than 15 cents per pound; and the tax would be 3 cents when the average market price is less than 15 cents per pound. The tax on lead-bearing ores, when the determined average market price of lead falls within these same 3 price categories, would be one-half cent, 1¼ cents, and 1½ cents per pound on the lead content, respectively. Imports of lead in pigs and bars and in lead-bearing ores account for over 90 percent of all lead in lead articles imported under paragraphs 72, 391, and 392. The taxes on lead pigments and on lead in sheets, pipe, etc., although higher than on lead in pigs and bars, would fluctuate similarly with changes in market prices.

The lowest rates of taxes proposed on the lead articles are somewhat lower than the currently applicable rates of duty. Also, the highest rates of taxes proposed are generally higher than the statutory rates of duty originally provided for these articles under the Tariff Act of 1930. The statutory rates of duty and all subsequent trade-agreement modifications, with the effective dates, are given in table 3 for all lead articles presently dutiable under paragraphs 72, 391, and 392; similar tariff information for all zinc articles presently dutiable under paragraphs 77, 393, and 394 is given in table 4.

As indicated in the first 3 columns of table 2, the lowest proposed taxes would be applicable to the zinc articles when the determined average market price for zinc is less than 14½ cents but not less than 13½ cents per pound. The intermediate rates of taxes would be applicable when the determined average market price for zinc is less than 13½ cents but not less than 12½ cents per pound. And the highest taxes would apply to zinc articles when the determined average market price for zinc is less than 12½ cents per pound.

For example, the tax on zinc in blocks, pigs, or slabs would be one-half cent per pound when the determined average market price for zinc is less than 14½ cents but not less than 13½ cents per pound; the tax would be 1½ cents per pound when the average market price for zinc is less than 13½ cents but not less than 12½ cents per pound; and the tax would be 2 cents per pound when the average market price is less than 12½ cents per pound. The tax on zinc-bearing ores, when the determined average market price of zinc falls within these same 3 price categories, would be two-fifths cent, 1$\frac{1}{10}$ cents, and 1⅜ cents per pound, respectively, applicable to the zinc content. Imports of zinc in blocks, pigs, or slabs and in zinc-bearing ores account for about 90 percent of all zinc in zinc articles imported under paragraphs 77, 393, and 394. The taxes on zinc compounds and on zinc dust and zinc sheets, although higher than on zinc in ores or slabs, would fluctuate similarly with changes in market prices.

The lowest taxes propsed on zinc articles are the same or lower than the currently applicable rates of duty on these articles. The highest taxes proposed on zinc articles, as in the case of the highest taxes on lead articles, are generally higher than the statutory rates of duty originally provided for these articles under the Tariff Act of 1930.

The highest rates of proposed taxes on lead articles exceed the maximum permissible rates obtainable through escape-clause action under section 7 of the Trade Agreements Extension Act of 1951, as amended. However, the highest rates of proposed taxes on zinc articles are equal to, or are less than, the maximum permissible rates obtainable through escape-clause action.

Ad valorem equivalents of the proposed taxes.—The ad valorem equivalents of the proposed import taxes on lead articles, as shown in table 1, are indicated in table 5, together with the ad valorem equivalents of the 1930 rates of duty, the rates of duty currently applicable, and the duties recommended on certain of these articles by the Tariff Commission in May 1954. The ad valorem equivalents were computed on the basis of dutiable imports in 1956. Similar ad valorem equivalents, similarly computed, are shown for the zinc articles in table 6.

The ad valorem equivalents of the proposed taxes as shown in the first three columns of tables 5 and 6 were computed on the basis of dutiable imports during 1956 as a whole without regard to changes in the market prices of lead or zinc. Under the bill, however, the taxes applicable to each calendar quarter would be determined on the basis of average market prices in the 3 consecutive months ending with the second month of the preceding calendar quarter. Thus, because of lead and zinc price changes, if the import taxes were in effect during 1956 the intermeldate rates of proposed taxes (shown in the second column of tables 1 and 2) would have been applicable to lead and zinc articles imported in the first calendar quarter, and the lowest rates of proposed taxes (shown in the first column of tables 1 and 2) would have been applicable to the lead and zinc articles imported in the last three calendar quarters. The market prices of lead and zinc were not low enough during 1956 to have made the highest rates of proposed taxes applicable. If the highest rates of proposed taxes had been applicable, the foreign values of the lead and zinc articles would have been lower than the value of articles actually imported and the ad valorem equivalents of those taxes would have been higher than those shown in the third column of the above table.

The ad valorem equivalents of the lowest rates of taxes proposed by the bill on lead and zinc articles would be generally lower than the ad valorem equivalents of the currently applicable rates of duty; the intermediate and the highest rates of taxes proposed would be generally higher than the current rates of duty.

The ad valorem equivalents of the proposed taxes on lead-bearing ores, from the lowest to the highest applicable rates, would be 3.8 percent, 9.4 percent, and over 15.1 percent, respectively, whereas the ad valorem equivalent of the current duty is 5.7 percent. The ad valorem equivalents of the proposed taxes on lead in pigs and bars would be 6.7 percent, 13.4 percent, and over 20.1 percent, compared with 7.1 percent, the ad valorem equivalent of the current duty on this article. Similarly, the ad valorem equivalents of the 3 proposed taxes on zinc-bearing ores would be 7.5 percent, 20.7 percent, and over 33.8 percent, whereas the ad valorem equivalent of the current duty is 11.3 percent. The ad valorem equivalents of the proposed taxes on zinc in blocks, pigs, or slabs would be 3.7 percent, 9.3 percent, and over 14.9 percent compared with an ad valorem equivalent of 5.2 percent of the current duty.

It is apparent from the above data that the proposed import taxes on lead pigs and bars would provide higher tariff protection from imports of these articles than the proposed import taxes on lead-bearing ores. About half of the lead contained in all dutiable lead articles imported in 1956 under paragraphs 72, 391, and 392 was imported in the form of lead pigs and bars; lead-bearing ores accounted for about 44 percent of the total lead contained in these articles imported in 1956.

The proposed taxes on zinc-bearing ores would provide higher tariff protection from imports of zinc in that form than on imports of zinc in the form of zinc blocks, pigs, or slabs. Imported zinc-bearing ores were the source of about 74 percent of the total zinc contained in all of the dutiable zinc articles imported in 1956 under paragraphs 77, 393, and 394; imports of zinc in blocks, pigs, or slabs accounted for about 26 percent of the total quantity of zinc contained in these articles imported in 1956.

PERTINENT TARIFF COMMISSION REPORTS

The Tariff Commission made a comprehensive investigation of the lead and zinc industries under the provisions of section 332 of the Tariff Act of 1930, as amended. This investigation was made pursuant to a resolution by the Committee on Finance of the United States Senate dated July 27, 1953, and a resolution by the Committee on Ways and Means of the House of Representatives dated July 29, 1953. The report of this investigation was completed in April 1954. It was printed as a Senate document (Report No. 192, second series) pursuant to Senate Resolution 239.

Almost concurrently with the above-mentioned investigation, the Tariff Commission conducted an "escape clause" investigation under section 7 of the Trade Agreements Extension Act of 1951, as amended, of the articles provided for in paragraphs 72, 77, 391, 392, 393, and 394 of the Tariff Act of 1930. These are the same articles on which the bill under consideration would impose import taxes under certain market price conditions. The Commission submitted its report of findings and recommendations to the President on May 21, 1954, and recommended maximum permissible increases in duties on all of the above-named articles except on old and wornout zinc fit only to be remanufactured, zinc dross, and zinc skimmings provided for in paragraph 394. Although the Commission also recommended an increase in the duty on the latter group of articles, it did not recommend maximum permissible increase on these articles but rates which would establish a more reasonable relationship between the duty on these articles and that on zinc in blocks, pigs, or slabs. The specific import duties recommended by the Commission in May 1954 are shown in tables 1 and 2, for lead and zinc articles respectively, together with the import taxes proposed by the bills, the 1930 rates of duty, and the current rates of duty. The ad valorem equivalents of the duties recommended by the Commission, based on dutiable imports in 1956, are shown in table 5 for the lead articles and in table 6 for the zinc articles, together with the ad valorem equivalents of the proposed taxes and the 1930 and current rates of duty.

The increased duties recommended by the Commission would have applied to lead and zinc articles regardless of the domestic market prices of lead and zinc. As previously noted, the taxes proposed by the bill would apply only after the average domestic prices are below specified levels and the rate of taxes, when applicable, would be inversely proportional to the average market prices prevailing in the domestic market.

When computed on the basis of the dutiable imports in 1956, the ad valorem equivalents of the duties on lead articles recommended by the Tariff Commission in May 1954, are generally lower than the ad valorem equivalents of the highest rates of taxes proposed in the bill here considered and higher than the intermediate and lowest rates in the bill. The ad valorem equivalents of the duties on zinc articles recommended by the Commission are almost equal to the ad valorem equivalents of the highest rates of taxes proposed in the bills on zinc-bearing ores and zinc in blocks, pigs, or slabs, but lower than the ad valorem equivalent of the highest tax proposed for old and wornout zinc, fit only to be remanufactured, zinc dross, and zinc skimmings.

The Commission's recommendations for increased duties were limited to "unmanufactured" lead and zinc articles such as those enumerated in tables 1 and 2 for which rates of duty are indicated in the last columns. Of the total lead content of all of the dutiable lead articles imported in 1956 under paragraphs 72, 391, and 392, the unmanufactured lead articles accounted for 96.8 percent. Similarly, unmanufactured zinc articles accounted for 99.6 percent of the total zinc content of dutiable zinc articles imported in 1956 under paragraphs 7 , 393, and 394. Imports of unmanufactured lead and zinc articles were similarly predominant in the total imports under these paragraphs in other recent years.

For some years prior to the Commission's 1954 report to the President, imports of lead and zinc in the other articles which are dutiable under the paragraphs enumerated above were very small in relation to production, and United

States exports exceeded imports for most of the items. Statistics on the United States production, imports, and exports in recent years for lead pigments; Babbitt metal and solder; and lead sheets, pipe, and related products; zinc oxide and lithopone; zinc dust and zinc sheets are given in tables 8, 9, 10, 12, and 13, respectively, appended to this memorandum. As indicated by the available statistics, imports of all of these items except zinc dust have increased in the last several years, but with the possible exception of lead in sheets, pipe, etc., are still very small in relation to production. Exports have exceeded imports in recent years for all of the manufactured zinc articles, and exports of lead pigments exceeded imports in all recent years since 1951 except in 1956. Perhaps the most noteworthy change in recent years is the increase in the imports of lead sheets, pipe, and related products. These rose from 11 short tons in 1952 (when imports were greatly exceeded by the exports of 1,288 tons) to imports of 2,018 tons in 1955 and to 7,051 tons in 1956; the net imports (imports minus exports) of lead sheet, pipe, etc., in 1955 and 1956 were equivalent to 2.5 and 12.6 percent, respectively, of estimated domestic production of these articles.

The President notified the Commission on August 20, 1954, that he was not accepting the Commission's recommendations. After a review of the entire situation, the President decided that the lead and zinc industries could be better strengthened by a stockpiling program.

RECENT CHANGES IN THE SUPPLY AND DEMAND FOR LEAD AND ZINC

As a result of the President's program, purchases of lead and zinc for the strategic stockpile were accelerated. This tended to absorb surplus supplies of lead and zinc and raised the market prices of these metals. This program was later supplemented by a barter program whereby lead and zinc of foreign origin were acquired in exchange for perishable surplus agricultural commodities from the United States. The lead and zinc thus acquired through barter was placed in a supplementary stockpile and kept off the domestic market. The effect of this was similar to that resulting from purchases of these metals for the strategic stockpile. Market prices of lead and zinc rose. The price of lead (Common, New York) rose from 14 cents per pound on August 20, 1954, to 16.5 cents by January 5, 1956; the lead price settled to 16 cents on January 13, 1956 and remained at that level until May 9, 1957. The price of slab zinc (Prime Western, f. o. b., East St. Louis) rose from 11 cents per pound on August 20, 1954, to a high of 13.5 cents per pound on January 7, 1956, and remained at that level until May 6, 1957. (See p. 16 for later price changes.)

Annual statistics on United States production, imports, exports, consumption, and market prices beginning with the year 1948 are shown in table 7 for lead and table 11 for zinc at the end of this memorandum.

United States production of lead increased after 1954 but has not been so large in the last 4 calendar years, 1953–56, as in the preceding 5 years. The decline in the total annual production of lead, the largest part of which is recovered from old scrap, has not been so pronounced as in the case of zinc, the major part of which is produced by the mining industry. World output of lead increased in every year throughout the period. Mine production of lead in 1955 was 2,370,000 tons—higher than in any previous year. Preliminary data for 1956 indicate that world lead production in that year was higher than in 1955.

United States imports of lead reached a record peak of 644,217 tons in 1952 during the first half of which duties were suspended. Annual lead imports during the next 4 years, 1953–56, have fluctuated between 450,000 and 490,000 tons. If imports continue at the rate indicated for the first quarter of 1957, total imports for 1957 will be much higher.

United States production of zinc increased somewhat after 1954 when it was unusually low, but remains at a level substantially lower than that in the first 5 years, 1948–52, of the period considered. World production of zinc, as indicated by data on the output of mines, increased throughout the entire period. World output in 1955, at 3,200,000 tons of zinc in ores produced, was higher than it had been in any previous year, and preliminary data for 1956 indicate a still higher output in that year.

United States imports of zinc declined from 698,509 tons, the peak established in 1952, to 603,082 tons in 1955. But total imports of zinc rose to a record level of 731,117 tons in 1956. If imports of zinc continue to enter this country at the rate indicated in the first quarter of 1957, they will be much larger in 1957. Although a substantial part of the total imports came in free of duty and were destined for the strategic or supplemental stockpiles previously referred to, the volume of imports in the last 4 years, considering only the dutiable imports, has been very much larger than the volume of imports in the previous 4 years, 1948–51. (Import duties were suspended during most of 1952.)

United States consumption of lead and zinc in the past 7 years, since 1949, has been high, and fairly stable, especially for lead. The annual consumption of lead has varied between 1.1 million and 1.2 million tons, while the annual consumption of zinc has ranged from about 1 million tons to about 1.3 million tons.

United States exports of lead and zinc are very small in relation to imports or production and are confined for the most part to the export of products imported free of duty for the purpose of smelting, refining, and export.

The most recent slump in the market prices of lead and zinc began early in May of this year and followed a decision of the Government, announced late in April, to suspend the lead and zinc barter program pending an administrative review of the barter operations. The market price of lead was reduced on May 9 from 16 cents per pound to 15.5 cents. This was followed by a further reduction to 15 cents per pound on May 17, and to 14 cents on June 11. The market price of slab zinc declined on May 6 from 13.5 cents per pound to 12 cents. This was followed by four other cuts. On May 13, the price was reduced to 11.5 cents; on June 4, to 11 cents; on June 19, to 10.5 cents; and on July 3 to 10 cents. As of July 17 of this year, the last date for which prices were noted for this memorandum, the price of lead (still at 14 cents per pound) was exactly the same as on May 21, 1954, when the Tariff Commission recommended to the President increased import duties on lead and zinc; and the price of zinc (still at 10 cents per pound on July 17, 1957) was one-fourth cent below the price of zinc on May 21, 1954.

Although official Government statistics are not yet available to indicate how the price declines have affected production and employment in the lead and zinc industries, trade reports indicate several mining and smelting companies have closed or curtailed operations, notably in the tristate district in the Midwest and in many of the Western States. These curtailments are reminiscent of the conditions reported to the Commission during its last investigation of the lead and zinc industries.

PROBABLE EFFECTS OF THE PROPOSED TAXES ON LEAD AND ZINC ARTICLES

To the extent that the payment of the proposed import taxes on lead and zinc articles is not avoided, they would tend to raise the domestic market prices of these articles above the price levels prevailing in foreign markets by amounts approximating the proposed taxes plus costs of transportation, insurance, and handling from the foreign markets. These price differentials would tend to be smallest when the lowest rates of taxes would be applicable and they would tend to be largest when the highest rates of taxes would be applicable. As previously noted, no taxes would be applicable under the bills to the lead articles when the determined average market price of lead is 17 cents per pound or more and no taxes would be applicable to the zinc articles when the determined average market price of zinc is 14½ cents per pound or more. Under these higher market prices, the differentials between the domestic and foreign prices of the lead and zinc articles would be governed principally by costs of transportation, insurance, and handling from foreign markets to the United States market. The lowest rates of taxes proposed by the bill are generally lower than the currently applicable rates of duty; hence, when these lowest proposed taxes are in effect, the price differentials between lead and zinc articles in the United States and foreign markets may be expected to be smaller than the differentials prevailing under current rates of duty. Differentials between the domestic and foreign market prices of the lead and zinc articles affected would tend to be larger than those prevailing under current rates of duty only when higher rates of taxes would be applicable—that is, after the determined average market price of lead has been less than 16 cents a pound and the determined average market price of zinc has been less than 13½ cents a pound. And the differentials referred to above would be largest when the determined market price of lead has been less than 15 cents per pound and the determined market price of zinc has been less than 12½ cents per pound, for, under these circumstances, the bills would impose the highest rates of import taxes.

Since the United States consumes almost twice as much zinc as it produces, and since it consumes more than a third more lead than it produces, domestic supplies alone would be far from sufficient to meet the domestic demand. Hence, competition for the available supplies of these metals would tend to raise the prices in the United States of lead and zinc articles of domestic origin to the level of the imported articles.

Increased prices of lead and zinc articles in the domestic market by reason of the import taxes would tend to increase domestic production. On the other hand, United States imports of taxable articles, when the highest rates of taxes would be applicable, would tend to be curtailed. Also, since the United States consumes from about one third to two-fifths of the world production of lead and zinc, production of these metals outside of the United States may be curtailed. The extent to which United States production would increase and imports decrease would depend also upon the effect of increased prices on domestic consumption of lead and zinc articles, the rate of Government purchases of lead and zinc for the strategic stockpile, the rate of acquisition of foreign lead and zinc by the barter program, and similar factors. It is assumed that articles now imported free of duty for United States Government use would continue to be imported free of taxes.

The proposed import taxes, under the provisions of the bill as presently drafted, may not be fully effective in raising domestic market prices of lead and zinc articles above foreign market prices by the amount of the taxes. This is because of the opportunity that importers would have to avoid paying the highest rates of taxes. As previously noted, the rates of taxes would depend upon the average market prices of lead and zinc in each 3-month period ending a month before the calendar quarter to which the import taxes would be applicable. Thus, by consulting the available monthly, weekly, or daily market price quotations, importers could know at least a month in advance of the beginning of each calendar quarter the rates of taxes that would be applicable to such quarter. They may be expected to regulate their imports so as to minimize their taxpayments. When faced with the prospect of substantially higher import taxes importers might be expected to increase imports before the increased taxes would go into effect. Or if faced with the prospect of reduced taxes, or no taxes, in the anticipated quarter, they may delay imports until after the beginning of such a quarter.

A large part of the United States imports of lead and zinc come from the nearby countries of Canada and Mexico; a period of a month or more would be sufficient time in which to import a large quantity of the lead or zinc the importer might wish to bring into the country during the following quarter when higher tax rates may be applicable.

Importers of lead or zinc from these countries as well as from other countries could take advantage of other opportunities to regulate the rate of imports on which the import taxes would be applicable. The applicable taxes would be imposed on the articles specified when they "are entered or withdrawn from warehouse for consumption." Importers might be encouraged to enter their lead and zinc articles into bonded warehouses during a quarter when the import taxes are applicable, with the intention of withdrawing the articles at a subsequent quarter when the taxes are either lower or inapplicable.[1] The facilities of the foreign-trade zones might also be used to bring the articles to this country and to time the entries for consumption in such a way as to avoid or reduce the amount of import taxes payable. It is observed that large quantities of lead and zinc were imported in 1952 in anticipation of the termination of the suspension of the duties on lead in June and on zinc in July of that year.

Many importers, of course, may find that it is neither practical nor economical to bring articles into the foreign-trade zones or into bonded warehouses for the purpose of entering the articles for consumption, or for withdrawing the articles from warehouses for consumption, at a later time. But such opportunities to reduce payment of import taxes would exist and importers may be expected to take advantage of such opportunities, especially if a substantial advantage in the tax rate is involved.

SUGGESTED AMENDMENTS

It might be possible to eliminate some of the above-mentioned opportunities to avoid paying the proposed import taxes by providing that for each article entered, or withdrawn from warehouse, for consumption, the customs authorities also determine the rate of tax applicable to such imports during the calendar

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[1] Customarily, more than half the lead in lead-bearing ores and more than half the zinc in zinc-bearing ores imported into this country is entered through bonded smelting warehouses.

quarter when the article (1) arrived in a foreign trade zone, or (2) was entered into a bonded warehouse, with the proviso that if the events described in (1) or (2) above occured in a calendar quarter or quarters other than the one in which the article in question was entered, or withdrawn from warehouse, for consumption, the highest rate of tax applicable during any such quarters should be applied.

Since the import taxes proposed by the bills to be imposed on imports of lead and zinc articles concerned are actually customs duties, the Commission believes that, as customs duties, they should be included in the Tariff Act of 1930 rather than in the Internal Revenue Code.[2] It is true that certain duties on imports are now provided for in the Internal Revenue Code. However, in its tariff simplification project now in progress pursuant to title I of the Customs Simplification Act of 1954, the Tariff Commission will recommend the transfer of the import taxes imposed under the Internal Revenue Code to the regular tariff schedules.

The word "tin" should be inserted in line 1, page 6, of the bill, before "or silver ores," and "tin" should be inserted in line 2, page 6, of the bill, before "or copper ores." The exceptions are intended to be the same as those included in the provisos in paragraphs 391 and 393 of the Tariff Act of 1930, which were amended in 1950 to include lead and zinc contained in tin ores (64 Stat. 4).

It may also be desirable to include a provision in the bill authorizing the Secretary of the Treasury to make regulations necessary to enforce the taxing provisions. Paragraphs 391 and 393 of the Tariff Act each conclude with such a provision which, it is understood, enable the Treasury to make regulations to cover analyzing and sampling of the ores.

THE PROPOSED TAXES AND INTERNATIONAL OBLIGATIONS OF THE UNITED STATES

Tariff concessions have been granted in the General Agreement on Tariffs and Trade on all the lead and zinc articles for which import taxes are provided in the bill. In the case of pigments in chief value of suboxide of lead, which are provided for in paragraph 72 of the tariff act, there is also a tariff concession in the bilateral trade agreement with Switzerland. Accordingly, there are presently international obligations of the United States by which the United States is committed to refrain from imposing higher duties on the lead and zinc articles involved than are specified in the trade agreements mentioned. It follows that, so long as these international obligations are in force, the imposition by the United States of duties (whether they be denominated "import taxes" or otherwise), which are higher than the rates specified in the trade agreements, would violate international obligations of the United States.

As hereinbefore indicated, although some of the import taxes provided for in the bill would be lower than the rates provided for in the trade agreements in question, some of the taxes would be higher.

[2] Sec. 4601 of the Internal Revenue Code would, by reference, make these taxes duties "imposed by the Tariff Act of 1930." If they are to be "treated" as such, why not place them directly in the Tariff Act.

TABLE 1.—*Lead articles: Import taxes proposed by S. 2376 and H. R. 8257, 1930 statutory rates, duties currently applicable and duties recommended by the Tariff Commission in May 1954*

Article and tariff paragraph	Import taxes proposed by S. 2376 and H. R. 8257 on lead articles[1]: If the determined average market price for lead is— Less than 17 cents but not less than 16 cents per pound	Less than 16 cents but not less than 15 cents per pound	Less than 15 cents per pound	1930 rate of duty	Current duty	Duty recommended by the Tariff Commission
Par. 72:						
Lead pigments:						
Litharge	1⅛ cents per pound	2¼ cents per pound	3⅜ cents per pound	2½ cents per pound	1[illegible] cents per pound	
Red lead	1⅛ cents per pound	2¼ cents per pound	3⅜ cents per pound	2[illegible] cents per pound	1[illegible] cents per pound	
Orange mineral	1¼ cents per pound	2½ cents per pound	3¾ cents per pound	3 cents per pound	2 cents per pound	
White lead	1¹⁄₂₀ cents per pound.	2¹⁄₁₀ cents per pound.	3³⁄₂₀ cents per pound.	2½ cents per pound	1[illegible] cents per pound.	
Pigments in chief value of suboxide of lead.	1½ cents per pound	3 cents per pound	4½ cents per pound	30 percent	3 cents per pound: 15 percent minimum, 30 percent maximum.	
Other pigments containing lead	10 percent ad valorem.	20 percent ad valorem.	30 percent ad valorem.	30 percent	[illegible] percent ad valorem.	
Par. 391: Lead-bearing ores, flue dust, and mattes of all kinds.	½ cent per pound on lead content.	1¼ cents per pound on lead content.	2 cents per pound on lead content.	1½ cents per pound on lead content.	[illegible] cent per pound on lead content.	1[illegible] cents per pound on lead content.
Par. 392:						
Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, and alloys or combinations of lead.[2]	1 cent per pound on lead content.	2 cents per pound on lead content.	3 cents per pound on lead content.	2⅛ cents per pound on lead content.	1[illegible] cents per pound on lead content.	2[illegible] cents per pound on lead content.
Babbitt metal and solder	1 cent per pound on lead content.	2 cents per pound on lead content.	3 cents per pound on lead content.	2⅛ cents per pound on lead content.	1[illegible] cents per pound on lead content.	
Lead in sheets, pipe, shot, glaziers' lead, and lead wire.	1⁵⁄₁₆ cents per pound.	2⅝ cents per pound.	3¹⁵⁄₁₆ cents per pound.	2⅝ cents per pound.	1[illegible] cents per pound.	

[1] Under provisions of this bill, all import excise taxes imposed on lead articles shall cease to be applied when the average price for common lead (New York) is 17 cents or more per pound.

[2] Par. 392 of the Tariff Act provides for "all alloys or combinations of lead, not specially provided for."

TABLE 2.—*Zinc articles: Import taxes proposed by S. 2376 and H. R. 8257, 1930 statutory rates, duties currently applicable, and duties recommended by the Tariff Commission in May 1954*

Article and tariff paragraph	Import taxes proposed by S. 2376 and H. R. 8257 on zinc articles[1] — If the determined average market price for zinc is— Less than 14½ cents but not less than 13½ cents per pound	Less than 13½ cents but not less than 12½ cents per pound	Less than 12½ cents per pound	1930 rate of duty	Current duty	Duty recommended by the Tariff Commission
Par. 77:						
Zinc oxide and leaded zinc oxides containing not more than 25 percent of lead:						
In any form of dry powder	3/5 cent per pound	1 1/10 cents per pound	1 13/20 cents per pound	1 3/4 cents per pound	4/5 cent per pound	
Ground in or mixed with oil or water	3/4 cent per pound	1 1/2 cents per pound	2 1/4 cents per pound	2 1/4 cents per pound	1 cent per pound	
Lithopone, and other combinations or mixtures of zinc sulfide and barium sulfate:						
Containing by weight less than 30 percent of zinc sulfide	do	do	do	1 3/4 cents per pound	7/8 cent per pound	
Containing by weight 30 percent or more of zinc sulfide	7/8 cent per pound and 7 1/2 percent ad valorem	1 3/4 cents per pound and 15 percent ad valorem	2 5/8 cents per pound and 22 1/2 percent ad valorem	1 3/4 cents per pound and 15 percent ad valorem	7/8 cent per pound and 7 1/2 percent ad valorem	
Par. 393: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 percent zinc	2/5 cent per pound on zinc content	1 1/10 cents per pound on zinc content	1 4/5 cents per pound on zinc content	1 1/2 cents per pound on zinc content	3/5 cent per pound on zinc content	1 4/5 cents per pound on zinc content
Par. 394:						
Zinc in blocks, pigs, or slabs	1/2 cent per pound	1 1/4 cents per pound	2 cents per pound	1 3/4 cents per pound	7/10 cent per pound	
Zinc dust	7/10 cent per pound	1 2/5 cents per pound	2 1/10 cents per pound	do	do	2 1/10 cents per pound
Zinc in sheets:						
Coated or plated with nickel or other metal (except gold, silver, or platinum), or solutions	1 1/8 cents per pound	2 1/4 cents per pound	3 3/8 cents per pound	2 1/4 cents per pound	1 1/8 cents per pound	
Other	1 cent per pound	2 cents per pound	3 cents per pound	2 cents per pound	1 cent per pound	
Old and wornout zinc fit only to be remanufactured, zinc dross, and zinc skimmings	3/4 cent per pound	1 1/2 cents per pound	2 1/4 cents per pound	1 1/2 cents per pound	3/4 cent per pound	1 4/5 cents per pound

[1] Under provisions of this bill, all import excise taxes imposed on zinc articles shall cease to be applied when the average price for slab zinc (Prime Western, f. o. b. East St. Louis) is 14½ cents or more per pound.

TABLE 3.—*Lead articles: United States rates of duty*

Tariff paragraph and description	Tariff Act of 1930		
	Statutory rate [1]	Trade-agreement modification	
		Rate	Effective date and trade agreement
	Cents per pound, percent ad valorem		
Par. 72:			
Lead pigments:			
Litharge	2½ cents	2¼ cents	Jan. 1, 1939; United Kingdom.
		2¼ cents [2]	Jan. 1, 1948; GATT.[3]
		1¼ cents	June 6, 1951; GATT.[3]
Orange mineral	3 cents	2½ cents	June 15, 1936; France.
		2 cents	Jan. 1, 1948; GATT.[3]
Red lead	2¾ cents	2¼ cents	Jan. 1, 1939; United Kingdom.
		1⅞ cents	Jan. 1, 1948; GATT.[3]
White lead	2½ cents	2 1/10 cents	May 1, 1935; Belgium.
		2 1/10 cents [2]	Jan. 1, 1948; GATT.[3]
		1 1/20 cents	June 6, 1951; GATT.[3]
Pigments containing lead, dry or in pulp, or ground in or mixed with oil or water, n. s. p. f.:			
In chief value of suboxide of lead	30 percent	3 cents, 15 percent minimum, 30 percent maximum.	Feb. 15, 1936; Switzerland.
		3 cents, 15 percent minimum, 30 percent maximum.[2]	Jan. 1, 1948; GATT.[3]
Other	30 percent	20 percent	Jan. 1, 1939; United Kingdom.
		20 percent [2]	Jan. 1, 1948; GATT.[3]
	Cents per pound on the lead content		
Par. 391: Lead-bearing ores, flue dust, and mattes of all kinds.	1½ cents per pound.[5]	¾ cent per pound [4]	Jan. 30, 1943; Mexico.
		do.[4]	June 6, 1951; GATT.[3]
Par. 392:			
Lead bullion or base bullion, lead pigs and bars, lead dross, reclaimed lead, scrap lead, type metal, antimonial lead, antimonial scrap lead, and alloys or combinations of lead, not specially provided for.	2⅛ cents per pound.[5]	1 1/16 cents per pound.[4] [6]	Jan. 30, 1943; Mexico.
		do.[4] [6]	June 6, 1951; GATT.[3]
Babbitt metal and solder	2⅛ cents [1]	1 1/16 cents	Jan. 30, 1943; Mexico.
		do	June 6, 1951; GATT.[3]
	Cents per pound		
Lead in sheets, pipe, shot, glaziers' lead, and lead wire.	2⅜ cents	1 3/16 cents	June 6, 1951; GATT.[3]

[1] Currently applicable to the products of Communist-dominated countries or areas designated (during 1951-53) by the President pursuant to sec. 5 of the Trade Agreements Extension Act of 1951.
[2] Bound.
[3] General Agreement on Tariffs and Trade.
[4] Duty suspended from June 20, 1948, to June 30, 1949, inclusive (Public Law 725, 80th Cong.), and again from Feb. 12, 1952, to June 25, 1952, inclusive (Public Law 257, 82d Cong.).
[5] This rate was applicable to products of all countries, effective Jan. 1, 1951, when the trade agreement with Mexico terminated, until June 6, 1951, when a new rate of duty pursuant to the General Agreement on Tariffs and Trade (GATT) became effective.
[6] Duty on scrap lead was suspended for practically the entire period from Mar. 14, 1942, to June 30, 1952, and the duty on antimonial lead scrap from Mar. 14, 1942, to June 30, 1956 (Public Law 497, 77th Cong.; Public Law 384, 80th Cong.; Public Law 613, 80th Cong.; Public Law 869, 81st Cong.; Public Law 66, 82d Cong.; Public Law 535, 82d Cong.; Public Law 221, 83d Cong.; Public Law 678, 83d Cong.; and Public Law 66, 84th Cong.).

TABLE 4.—*Zinc articles: United States rates of duty*

Tariff paragraph and description	Tariff Act of 1930		
	Statutory rate [1]	Trade-agreement modification	
		Rate	Effective date and trade agreement
	Cents per pound; percent ad valorem		
Par. 77:			
Zinc oxide and leaded zinc oxides containing not more than 25 percent of lead:			
In any form of dry powder	1¾ cents	1 3/10 cents	Jan. 30, 1943, Mexico.
		⅞ cent	Jan. 1, 1948; GATT.[2]
Ground in or mixed with oil or water.	2¼ cents	1½ cents	Jan. 30, 1943; Mexico.
		1 cent	Jan. 1, 1948; GATT.[2]
Lithopone, and other combinations or mixtures of zinc sulfide and barium sulfate:			
Containing by weight less than 30 percent of zinc sulfide.	1¾ cents	1½ cents	Feb. 1, 1936; Netherlands.
		⅞ cent	Jan. 1, 1948; GATT.[2]
Containing by weight 30 percent or more of zinc sulfide.	1¾ cents plus 15 percent.	⅞ cent plus 7½ percent.	Do.[2]
	Cents per pound of zinc content		
Par. 393: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 percent zinc.	1½ cents	1⅕ cents	Jan. 1, 1939; Canada.
		¾ cent	Jan. 30, 1943; Mexico.
		¾ cent [3]	Jan. 1, 1948; GATT.[2]
		⅗ cent [4]	June 6, 1951; GATT.[2]
	Cents per pound		
Par. 394:			
Zinc in blocks, pigs, or slabs	1¾ cents	1⅖ cents	Jan. 1, 1939; Canada.
		⅞ cent	Jan. 30, 1943; Mexico.
		⅞ cent [3]	Jan. 1, 1948; GATT.[2]
		7/10 cent [4]	June 6, 1951; GATT.[2]
Old and wornout zinc, fit only to be remanufactured, zinc dross, and zinc skimmings.	1½ cents	¾ cent [5]	Jan. 30, 1943; Mexico.
		¾ cent [3] [5]	Jan. 1, 1948; GATT.[2]
Zinc dust [6]	1¾ cents	1⅖ cents	Jan. 1, 1939; Canada.
		⅞ cent	Jan. 30, 1943; Mexico.
		⅞ cent [3]	Jan. 1, 1948; GATT.[2]
		7/10 cent	June 6, 1951; GATT.[2]
Zinc in sheets:			
Coated or plated with nickel or other metal (except gold, silver, or platinum), or solutions.	2¼ cents	1⅛ cents	Jan. 30, 1943; Mexico.
		1⅛ cents [3]	Jan. 1, 1948; GATT.[2]
Other	2 cents	1 cent	Jan. 30, 1943; Mexico.
		1 cent [3]	Jan. 1, 1948; GATT.[2]

[1] Currently applicable to products of Communist-dominated countries or areas designated (during 1951-53) by the President pursuant to sec. 5 of the Trade Agreements Extension Act of 1951.
[2] General Agreement on Tariffs and Trade.
[3] Bound.
[4] Duty suspended from Feb. 12, 1952, to July 23, 1952, inclusive (Public Law 258, 82d Cong.).
[5] Duty on zinc scrap suspended for practically the entire period from Mar. 14, 1942, to June 30, 1953, inclusive (Public Law 497, 77th Cong.; Public Laws 384 and 613, 80th Cong.; Public Law 869, 81st Cong.; and Public Laws 66 and 535, 82d Cong.).
[6] Since the enactment of Public Law 497 (77th Cong.), effective Mar. 14, 1942, and subsequent amendments (see note 5 above), providing for temporary suspension of duties on metal scrap, quantities of zinc dust have been entered free of duty under this law. No information is available as to the distinction between the zinc dust which has entered free of duty and that which has entered as dutiable.

TABLE 5.—*Lead articles dutiable under pars. 72, 391, and 392 of the Tariff Act of 1930: Ad valorem equivalents of import taxes proposed by S. 2376 and H. R. [illegible]57, of the 1930 statutory rates, of duties currently applicable, and of duties recommended by the Tariff Commission in May 1954, if based on dutiable imports in 1956*

Tariff paragraph and article	Import taxes proposed by the bills if the determined average market price for lead is—			1930 rate of duty	Current duty	Duty recommended by the Tariff Commission
	Less than 17 cents but not less than 16 cents per pound	Less than 16 cents but not less than 15 cents per pound	Less than 15 cents per pound			
Par. 72:						
Lead pigments:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Litharge	8.7	17.4	26.1	19.3	9.7	----------
Red lead	8.3	16.6	24.9	20.3	13.8	----------
Orange mineral	(1)	(1)	(1)	(1)	(1)	----------
White lead	7.0	14.0	21.1	16.7	7.0	----------
Pigments in chief value of suboxide of lead	6.0	11.9	17.8	30.0	15.0	----------
Other pigments containing lead	10.0	20.0	30.0	30.0	20.0	----------
Par. 391: Lead-bearing ores, flue dust, and mattes of all kinds	3.8	9.4	15.1	11.3	5.7	13.6
Par. 392:						
Lead bullion or base bullion	5.4	10.9	16.3	11.6	5.8	13.9
Lead pigs and bars	6.7	13.4	20.1	14.3	7.1	17.1
Reclaimed lead, lead dross, and scrap lead	8.1	16.1	24.2	17.2	8.6	20.6
Type metal and antimonial lead	6.1	12.3	18.4	13.1	6.5	15.7
Alloys or combinations of lead, not specially provided for	4.5	9.0	13.6	9.6	4.8	11.5
Babbitt metal and solder	1.1	2.1	3.2	2.2	1.1	----------
Lead in sheets, pipe, shot, glaziers' lead, and lead wire	9.0	18.0	27.0	18.0	10.0	----------

[1] Not computed; orange mineral has not been imported since 1942.

TABLE 6.—*Zinc articles dutiable under pars. 77, 393, and 394 of the Tariff Act of 1930: Ad valorem equivalents of import taxes proposed by S. 2376 and H. R. 8257, of the 1930 statutory rates, of duties currently applicable, and of duties recommended by the Tariff Commission in May 1954, if based on dutiable imports in 1956*

Tariff paragraph and article	Import taxes proposed by the bills if the determined average market price for zinc is— Less than 14½ cents but not less than 13½ cents per pound	Less than 13½ cents but not less than 12½ cents per pound	Less than 12½ cents per pound	1930 rate of duty	Current duty	Duty recommended by the Tariff Commission
Par. 77:						
Zinc oxide and leaded zinc oxides containing not more than 25 percent of lead:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
In any form of dry powder	5.8	10.7	16.0	17.0	5.8	----------
Ground in or mixed with oil or water	[1] 6.9	[1] 13.9	[1] 20.8	[1] 20.8	[1] 9.2	----------
Lithopone, and other combinations or mixtures of zinc sulfide and barium sulfate:						
Containing by weight less than 30 percent of zinc sulfide	14.9	29.7	44.6	34.7	17.3	----------
Containing by weight 30 percent or more of zinc sulfide	19.7	39.5	59.2	39.5	19.7	----------
Par. 393: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 percent zinc	7.5	20.7	33.8	28.2	11.3	33.8
Par. 394:						
Zinc in blocks, pigs, or slabs	3.7	9.3	14.9	13.0	5.2	15.6
Zinc dust	5.7	11.4	17.0	14.2	5.7	----------
Zinc in sheets:						
Coated or plated with nickel or other metal (except gold, silver, or platinum), or solutions	[1] 2.9	[1] 5.7	[1] 8.6	[1] 5.7	[1] 2.9	----------
Other	5.3	10.6	15.9	10.6	5.3	----------
Old and wornout zinc fit only to be remanufactured, zinc dross, and zinc skimmings	9.5	19.0	28.5	19.0	9.5	22.8

[1] Based on dutiable imports in 1953; there were no imports during 1954–56.

TABLE 7.—*Unmanufactured lead: United States production, foreign trade, consumption, and average market prices, 1948–56 and January–March 1957*

[In short tons of lead content]

Year	Production			Imports for consumption [3]			Domestic exports [3]	Reported consumption [4]	Average price per pound [5]
	Mine output [1]	Secondary output [2]	Total	Dutiable	Free	Total			
									Cents
1948	390,476	432,733	823,209	98,944	232,850	331,794	1,279	1,133,895	18.043
1949	409,908	364,140	774,048	116,538	298,543	415,081	4,390	957,674	15.364
1950	430,827	427,520	858,347	514,954	50,332	565,286	5,343	1,237,981	13.296
1951	388,164	441,658	829,822	191,636	36,657	228,293	3,473	1,184,703	17.500
1952	390,161	411,831	801,992	179,600	461,617	641,217	3,695	1,130,795	16.467
1953	342,644	428,750	771,394	409,003	48,054	457,057	5,118	1,201,604	13.489
1954	325,427	424,987	750,414	460,197	22,626	482,823	5,227	1,209,330	14.054
1955 [6]	338,025	449,186	787,211	424,413	28,961	453,374	4,234	1,212,644	15.138
1956 [6]	318,329	438,007	786,336	419,368	68,457	487,825	7,975	1,189,973	16.013
1957 (January–March) [6]	90,230	112,775	203,005	119,331	23,355	142,686	3,348	293,246	16.000

[1] Represents recoverable lead content of concentrates produced from domestic ores and old tailings treated.
[2] Represents lead recovered in all forms from old scrap; partly estimated for 1956.
[3] Represents lead in ores, concentrates, dross, flue dust, and mattes; lead bullion; lead pigs and bars; reclaimed and scrap lead; antimonial lead and type metal; and miscellaneous lead alloys.
[4] Represents all unmanufactured lead consumed from primary and secondary sources including lead in lead-containing alloys and lead in ores consumed directly in the manufacture of lead pigments and salts as reported to the U. S. Bureau of Mines on a monthly or annual basis. These data do not include withdrawals for the strategic Government stockpile.
[5] Average New York price of common lead as reported by Engineering and Mining Journal, Metal and Mineral Markets.
[6] Data on imports and exports are preliminary.

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

TABLE 8.—*Lead pigments: United States production and foreign trade, specified years, 1937 to 1956*

Year	Production [1] [2]	Imports for consumption	Domestic exports
	Quantity (short tons)		
1937	260,874	68	3,622
1938	237,035	42	3,912
1939	278,592	38	5,425
1943	308,312	8	7,836
1946	278,949	82	4,445
1947	345,901	472	2,862
1948	305,632	1,578	2,260
1949	232,023	309	2,994
1950	341,650	1,110	2,956
1951	307,520	3,850	2,390
1952	279,387	1,066	2,343
1953	299,068	66	2,474
1954	276,611	598	2,570
1955	295,116	[3] 793	[3] 2,741
1956	[3] 283,726	[3] 5,582	[3] 2,972
	Value (in thousands of dollars) [4]		
1937	41,640	17	586
1938	32,254	10	510
1939	40,975	10	715
1943	51,017	3	1,427
1946	51,654	13	851
1947	116,286	150	1,041
1948	119,268	633	970
1949	77,584	143	1,104
1950	105,318	344	940
1951	120,364	1,502	983
1952	100,114	451	933
1953	89,392	16	799
1954	87,503	149	872
1955	100,307	[3] 195	[3] 976
1956	([5])	[3] 1,465	[3] 1,092

[1] Data represent shipments or sales by domestic manufacturers.
[2] Includes an estimate for shipments of sublimed lead in 1946 and in 1948–56.
[3] Preliminary.
[4] Value of imports is foreign value.
[5] Not available.

Source: Production, official statistics of the U. S. Bureau of Mines; imports and exports, official statistics of the U. S. Department of Commerce.

TABLE 9.—*Babbitt metal and solder: United States production and foreign trade, specified years, 1937–56*

Period	Production: Babbitt metal [1]	Production: Solder [2]	Imports for consumption (babbitt metal and solder)	Domestic exports: Babbitt metal	Domestic exports: Lead solder
	Quantity (short tons, gross weight)				
1937	21,861	58,546	89	579	510
1938	(3)	(3)	1	402	455
1939	17,070	56,617	4	443	835
1943	25,755	(3)	9	418	311
1946	(3)	(3)	51	859	854
1947	[4] 37,418	59,014	103	955	1,060
1948	(3)	(3)	142	377	456
1949	(3)	(3)	190	448	405
1950	(3)	(3)	2,573	310	526
1951	(3)	(3)	569	328	492
1952	(3)	(3)	578	318	(5)
1953	(3)	(3)	811	228	219
1954	(3)	(3)	1,049	257	323
1955 [6]	(3)	(3)	980	258	482
1956 [6]	(3)	(3)	1,500	[7] 313	413
	Quantity (short tons, lead content)				
1937	15,000	22,000	69	(3)	(3)
1938	9,000	15,000	1	(3)	(3)
1939	12,800	20,000	1	(3)	(3)
1943	35,000	38,000	7	(3)	(3)
1946	41,000	53,000	28	(3)	(3)
1947	40,100	59,000	56	(3)	(3)
1948	42,594	71,025	78	(3)	(3)
1949	29,189	62,104	106	(3)	(3)
1950	38,241	94,606	1,465	(3)	(3)
1951	35,410	82,465	333	(3)	(3)
1952	30,545	72,694	325	(3)	(3)
1953	38,601	78,743	431	(3)	(3)
1954	27,166	71,122	743	(3)	(3)
1955 [6]	34,507	88,749	622	(3)	(3)
1956 [6]	27,828	72,015	861	(3)	(3)
	Value (in thousands of dollars) [8]				
1937	7,802	28,622	28	450	296
1938	(3)	(3)	(9)	303	221
1939	6,591	25,400	1	401	386
1943	(3)	(3)	3	311	177
1946	(3)	(3)	39	613	519
1947	[4] 18,775	39,612	110	1,142	976
1948	(3)	(3)	174	521	414
1949	(3)	(3)	277	683	478
1950	(3)	(3)	1,926	475	520
1951	(3)	(3)	1,011	752	720
1952	(3)	(3)	752	587	(5)
1953	(3)	(3)	1,119	427	227
1954	(3)	(3)	882	377	320
1955 [6]	(3)	(3)	946	391	423
1956 [6]	(3)	(3)	1,635	[7] 427	464

[1] Quantity in terms of lead content represents lead consumed in the manufacture of all bearing metals; probably ⅜ of the totals given was consumed in making babbitt metal.
[2] Quantity in terms of lead content represents lead consumed in making solder.
[3] Not available.
[4] Of the total babbit metal produced in 1947, 33,987 tons, valued at about $14,108,000 was lead-base babbitt, and 3,431 tons, valued at about $4,667,000 was tin-base babbitt; these value figures include an estimate of the value of very small quantities that were produced and transferred to plants of the same companies.
[5] Not reported separately.
[6] Data on imports and exports are preliminary.
[7] Includes 216 tons of lead-base babbitt metal valued at $227,000 and 97 tons of tin-base babbitt metal valued at $200,000.
[8] Value of imports is foreign value.
[9] Less than $500.

Source: Production of babbitt metal and solder in terms of gross weight and value, and imports and exports, official statistics of the U. S. Department of Commerce, except as noted; lead consumed in making bearing metals and solder, from the American Bureau of Metal Statistics for 1937–43 and from the U. S. Bureau of Mines for 1946–56.

TABLE 10.—*Lead sheets, pipe, shot, glaziers' lead, and lead wire: United States production and foreign trade, specified years, 1937 to 1956*

Year	Production [1]	Imports for consumption	Domestic exports [2]	Year	Production [1]	Imports for consumption	Domestic exports [2]
	Quantity (short tons, gross weight)				Value (in thousands of dollars)		
1937	[3] 45,671	376	768	1937	[3] 7,739	55	117
1938	(4)	166	(5)	1938	(4)	31	(4)
1939	[6] 44,290	170	1,028	1939	[6] 6,585	28	113
1943	62,000	25	1,743	1943	11,780	20	317
1946	78,000	24	971	1946	17,305	10	194
1947	78,000	67	1,882	1947	27,959	42	730
1948	71,402	181	951	1948	31,320	101	439
1949	57,002	178	773	1949	24,473	101	364
1950	72,139	207	354	1950	26,397	78	131
1951	64,305	255	1,088	1951	28,770	123	574
1952	58,162	11	1,288	1952	25,026	8	643
1953	59,160	178	504	1953	21,972	58	219
1954	52,846	397	373	1954	20,141	129	156
1955 [7]	60,223	2,048	557	1955 [7]	24,258	535	246
1956 [7]	56,451	7,654	553	1956 [7]	24,289	2,017	276

[1] Data for 1937 and 1939 represent production of lead plates, sheets, tubing, and pipe; value was estimated for a relatively small quantity produced and consumed in the same works. Data for all other years represent lead consumed for making pipes, traps, bends, and sheet—for 1943-47 from the American Bureau of Metal Statistics, and for other years from the U. S. Bureau of Mines; value for production after 1939 estimated by multiplying quantity by the average annual prices of lead sheet as reported by the Daily Metal Reporter, monthly supplement—Metals.
[2] Comprises lead sheet, strip, and pipe.
[3] Lead plates and sheets (22,503 tons, gross weight, valued at \$3,776,000) and lead tubing and pipe (23,168 tons, gross weight, valued at \$3,963,000).
[4] Not available.
[5] Data for lead sheets, strip, and pipe were included with data for lead pigs and bars in 1938.
[6] Lead plates and sheets (25,327 tons, gross weight, valued at \$3,722,000) and lead tubing and pipe (18,963 tons, gross weight, valued at \$2,863,000).
[7] Imports and exports, preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce, except as noted

TABLE 11.—*Unmanufactured zinc: United States production, foreign trade, consumption, and average market prices, 1948–56 and January–March 1957*

[In short tons of zinc content]

Year	Production			Imports for consumption [3]			Domestic exports [4]	Estimated consumption of zinc [5]	Average price per pound [6]
	Mine output [1]	Secondary output [2]	Total	Dutiable	Free	Total			
									Cents
1948	629,977	74,190	704,167	219,603	70,013	289,616	69,084	995,936	13.589
1949	593,203	51,651	644,854	213,703	82,300	296,003	63,203	826,253	12.144
1950	623,375	74,097	697,472	394,154	13,141	407,295	20,268	1,148,992	13.866
1951	681,189	68,174	749,363	285,618	48,431	334,049	44,212	1,126,248	18.000
1952	666,001	74,665	740,666	99,074	599,435	698,509	62,056	1,012,147	16.215
1953	534,730	64,235	598,965	653,832	44,064	697,896	21,811	1,156,611	[7] 10.855
1954	465,245	72,657	537,902	630,488	35,507	665,995	41,684	1,022,574	10.681
1955 [8]	503,800	83,549	587,349	569,639	33,443	603,082	39,506	[9] 1,302,112	12.299
1956 [8]	539,562	[9] 81,000	620,562	629,421	101,696	731,117	22,361	[9] 1,153,358	13.494
1957 (January-March) [9]	145,453	[9] 21,600	167,053	184,653	26,723	211,376	3,594	[9] 289,000	13.500

[1] Represents recoverable zinc content of concentrates produced for ores mined and tailings treated.
[2] Represents zinc recovered in all forms from old scrap.
[3] Zinc content in ores and concentrates and the gross weight of zinc blocks, pigs, and slabs, old zinc scrap, zinc dross, and skimmings.
[4] Zinc content in ores, concentrates, dross, and skimmings, and zinc blocks, pigs, and slabs.
[5] Data represent all slab consumed (estimating that data reported to the U. S. Bureau of Mines account for 96 percent of all slab zinc consumed) plus estimated consumption of secondary zinc (old scrap) and the zinc content of pigments and salts made directly from ores. These data do not include withdrawals for the strategic stockpile.
[6] Average market price of Prime Western zinc, f. o. b., East St. Louis, as reported by the Engineering and Mining Journal Metal and Mineral Markets.
[7] Effective July 16, 1953, Prime Western zinc was also sold on a delivered basis; the delivered price ranged from ¼ cent to ½ cent per pound above the East St. Louis price.
[8] Data on imports and exports are preliminary.
[9] Estimated.

Source: Consumption and production data compiled 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; prices, Engineering and Mining Journal Metal and Mineral Markets.

TABLE 12.—*Zinc oxide and lithopone: United States production and foreign trade, specified years, 1937–56*

Quantity (short tons)

Year	Production [1] [2]	Imports for consumption [3]	Domestic exports
1937	309,760	6,376	5,624
1938	243,091	4,577	2,896
1939	299,095	4,192	8,330
1943	322,953	21	23,340
1946	372,823	42	20,607
1947	407,254	118	32,734
1948	358,432	27	20,056
1949	225,189	251	19,590
1950	339,452	6,205	12,451
1951	294,891	2,576	9,368
1952	241,931	183	17,630
1953	240,778	1,214	6,897
1954	218,268	2,413	6,124
1955	244,047	[4] 3,350	[4] 4,530
1956 [4]	223,953	3,810	4,136

Value (in thousands of dollars)

Year	Production [1] [2]	Imports for consumption [3]	Domestic exports
1937	28,038	400	910
1938	23,301	280	340
1939	28,794	277	926
1943	36,269	5	2,707
1946	44,196	8	2,912
1947	63,891	31	6,554
1948	65,547	7	5,229
1949	43,152	52	3,426
1950	71,321	1,261	2,125
1951	74,590	930	6,855
1952	63,919	90	4,352
1953	56,474	281	1,468
1954	50,439	483	1,351
1955	58,031	[4] 689	[4] 1,073
1956 [4]	([5])	790	1,087

[1] Data represents shipments or sales by domestic manufacturers.
[2] Includes lead-free zinc oxide, leaded zinc oxide, and normal lithopone content of high-strength lithopone plus lithopone sold as such.
[3] Does not include zinc oxide containing more than 25 percent lead, which is entered under par. 60 of the Tariff Act of 1930. Value of imports is foreign value.
[4] Preliminary.
[5] Not available.

Source: Production, official statistics of the U. S. Bureau of Mines; imports and exports, official statistics of the U. S. Department of Commerce.

TABLE 13.—*Zinc dust and zinc sheets: United States production and foreign trade, specified years, 1937–56*

Year	Zinc dust			Zinc sheets				
	Production	Imports for consumption	Domestic exports	Production	Imports for consumption			Domestic exports [2]
					Coated or plated [1]	Other	Total	
	Quantity (short tons, gross weight)							
1937	15,242	69	2,145	16,712	1	231	232	5,813
1938	11,609	64	2,253	13,048	1	226	227	([3])
1939	16,835	41	2,834	16,697	([4])	178	178	6,419
1943	25,999	106	5,859	12,727	----	([4])	([4])	2,281
1946	28,574	77	366	28,703	([4])	([4])	([4])	11,956
1947	30,602	----	1,646	22,222	----	67	67	7,950
1948	32,217	41	891	20,318	----	120	120	5,318
1949	22,776	17	690	15,467	----	32	32	4,808
1950	28,922	472	506	10,362	----	211	211	2,456
1951	31,695	154	722	19,746	([4])	149	149	3,522
1952	25,113	133	([3])	13,203	----	47	47	3,031
1953	25,207	1,045	502	14,425	([4])	196	196	3,239
1954	26,714	----	609	13,903	----	259	259	2,960
1955 [5]	30,118	72	445	14,385	----	431	431	2,604
1956 [5]	[6] 28,223	72	372	([3])	----	454	454	3,043
	Value (in thousands of dollars)							
		Foreign value			*Foreign value*	*Foreign value*	*Foreign value*	
1937	2,588	6	418	3,832	1	30	31	1,104
1938	1,543	5	356	2,648	([7])	26	26	([3])
1939	2,368	3	469	3,466	([7])	21	21	1,052
1943	5,171	18	1,263	3,378	----	([7])	([7])	624
1946	6,058	5	89	8,971	([7])	([7])	([7])	3,693
1947	7,589	----	448	7,936	----	4	4	3,090
1948	10,052	5	299	8,393	----	33	33	2,126
1949	6,105	4	261	5,900	----	8	8	2,053
1950	9,602	81	187	9,183	----	93	93	984
1951	13,439	74	401	11,649	([7])	84	84	2,082
1952	9,704	39	([3])	7,916	----	24	24	1,935
1953	6,720	162	181	7,889	([7])	77	77	1,696
1954	7,266	----	151	7,403	----	88	88	1,444
1955 [5]	9,216	18	162	8,075	----	148	148	1,318
1956 [5]	([3])	18	136	([3])	----	172	172	1,718

[1] Coated or plated with nickel or other metal (except gold, platinum, or silver).
[2] Includes exports of strip, which, however, are believed to be small.
[3] Not available.
[4] Less than ½ ton.
[5] Data on imports and exports are preliminary.
[6] Preliminary.
[7] Less than $500.

Source: Production, compiled from official statistics of the U. S. Bureau of Mines; imports and exports, compiled from official statistics of the U. S. Department of Commerce.

JULY 31, 1957.

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 June 28, 1957, requesting a statement of this Department's views on S. 2376, to amend the Internal Revenue Code of 1954 to impose import taxes on lead and zinc.

The proposed legislation would terminate the duties on lead and zinc articles imposed under paragraphs 77, 393, 394, 72, 391, and 392 of the tariff act and in lieu thereof would impose, when the market price of lead or zinc is below certain levels, import taxes on these articles at varying rates by adding a new subchapter to chapter 38 of the Internal Revenue Code.

The bill contains no provision as to what would happen if the determined average market price should ever exceed the maximum shown in the tables in sections 4545 (b) and 4546 (b). It is assumed that, since tariff duties would be terminated and no provision for import tax is made, these articles would be free of duty and import tax when the determined average market price exceeds the maximum shown in the tables.

If the determined average market prices remain relatively stable no unusual administrative difficulty would ensue if this bill were enacted.

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,

DAVID W. KENDALL,
Acting Secretary of the Treasury.

THE SECRETARY OF COMMERCE,
Washington, August 15, 1957.

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

DEAR MR. CHAIRMAN. This letter is in response to your request of June 28, 1957, for the views of the Department of Commerce with respect to S. 2376, a bill to amend the Internal Revenue Code of 1954 to impose import taxes on lead and zinc.

If this bill is enacted it will—

1. Amend the Tariff Act of 1930 by abolishing the existing import duties on lead and zinc and on certain articles produced therefrom listed in paragraphs 72, 77, 391, 392, 393, and 394; and

2. Amend the Revenue Code of 1954 by adding a new subchapter which will include the articles listed in the paragraphs enumerated above (under 1) and will impose import excise taxes of varying amounts on the lead and zinc content of the items listed.

(As indicated at pages 2 and 3 of the bill the tax rates will vary with the domestic prices of lead and zinc; the rates will decrease when the prices of these 2 metals are high and increase when the prices of these 2 metals are low.

The Department of Commerce recommends the enactment of this bill. The proposed legislation, if enacted, would implement a part of the long-range minerals program which the Department of the Interior presented in considerable detail and with supporting data to the Senate Committee on Interior and Insular Affairs on June 4, 1957.

The primary purpose of the bill under reference is to assist the domestic lead and zinc industry which has suffered from declining prices since May 1957. It is believed that the enactment of the bill would aid the domestic producers and, at the same time, would preserve the interests of domestic consumers of lead and zinc who are dependent upon foreign sources for over 40 percent of their needs of these 2 metals. The sliding scale tax feature of the bill is designed to protect the interests of both domestic groups. When the domestic prices of lead and zinc are low, the higher tax rates would protect the producers. When the domestic prices of lead and zinc are high, the lower tax rates would protect the consumers.

In order to protect further the interests of the domestic consumers, two amendments to the bill are recommended. At the bottom of page 2 of the bill it is recommended that there be added an additional sentence, as follows: "If the determined average market price for lead is 17 cents or higher a pound, the import excise tax thereon shall be removed." At the bottom of page 3 of the bill it is recommended that there be added an additional sentence, as follows: "If the determined average market price for zinc is 14½ cents or higher a pound, the import excise tax thereon shall be removed."

The substance of these two amendments is included in the long-range minerals program which was presented to the Senate Committee on Interior and Insular Affairs by the Department of the Interior on June 4, 1957. However, as presently drafted, the bill (S. 2376) to implement the program does not provide for the removal of import excise taxes when the price of lead is 17 cents or higher a pound and when the price of zinc is 14½ cents or higher a pound.

There is attached for the convenient reference of your committee a copy of the statement presented by this Department at the August 1, 1957, hearings of the House Committee on Ways and Means with respect to the companion House bills.

The Bureau of the Budget has advised that it would interpose no objections to the submission of this report to your committee.

Sincerely yours,

SINCLAIR WEEKS,
Secretary of Commerce.

STATEMENT OF HON. WALTER WILLIAMS, UNDER SECRETARY, DEPARTMENT OF COMMERCE, BEFORE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES, THURSDAY, AUGUST 1, 1957

I wish to thank you, Mr. Chairman and members of the committee, for this opportunity to express the views of the Department of Commerce on the proposal submitted to the Congress by the Secretary of the Interior for a sliding scale import excise tax on lead and zinc.

The Department supports the proposal. As the Secretary of the Interior has said, the occasion for it is the recent sharp decline of prices of these commodities and the further threat to the lead and zinc mining industries posed by the high level of imports of these commodities. Since May of this year, the price of zinc per pound has decreased from 13½ to 10 cents and the price of lead from 16 to 14 cents per pound. These decreases are resulting in the closing of many small mines which cannot operate profitably at these levels. This, of course, adversely affects many other small businesses whose existence depends on the continued operation of these mines. As a result, unemployment is developing in these areas.

The proposed legislation was devised to remedy this situation by imposing a sliding scale excise tax on imports which is intended to stabilize prices at or near levels prevailing in 1956 and the first quarter of 1957.

This proposal cannot be considered apart from the entire foreign-trade policy of the United States. Expansion of our foreign trade through an orderly program of reduction of tariffs and other trade barriers both here and abroad has long been a cornerstone of our policy. Sound trade must be a two-way affair.

However, it is of equal importance that this expansion of our foreign trade be achieved only through a program which is fair, moderate, gradual, and reciprocal. Such a program must be mutually advantageous to American private industry and to those abroad with whom we trade.

Accordingly, the President, in discussing the Trade Agreements Act, has said: "This program, therefore, must be and will be administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure."

The policies of the Department of Commerce in the promotion of our foreign commerce are geared to this basic concept. As recently as last July 9, the Secretary of Commerce said to the Senate Committee on Interstate and Foreign Commerce: "We believe that the problem of foreign competition in the American market calls for a higher type of economic statesmanship than die-hard adherence to extreme positions. The national interest will not be served unless both the free trader and the protectionist show a willingness to give and take and jointly to work toward the goal of increased reciprocal trade."

It is in the light of these principles that we endorse the proposal now under consideration. It is consistent with the President's pledge. At the same time, it is moderate in that it seeks to encourage a cutback in foreign output which will be no more than proportionate to that of our domestic producers.

In 1956, world production of lead and zinc was substantially in excess of world industrial consumption and this was in appreciable measure a result of governmental policies during World War II and the Korean conflict. The United States Government during World War II paid premium prices to encourage expansion of domestic production and assisted financially in the development of mines overseas. During the Korean war, the Defense Materials Procurement Agency made purchase contracts at guaranteed prices with domestic and foreign producers, granted priority ratings for production machinery and equipment, and recommended production expansion loans, operating loans, and certificates of necessity for accelerated tax amortization. This all resulted in a substantial expansion of production capabilities both at home and abroad.

In 1953, United States Government purchases of foreign lead and zinc were severely cut back, but the total imports did not change significantly. Instead, most of it went to domestic users in competition with domestic producers.

This vast increase in availability of foreign metals for domestic consumption, largely resulting from governmental action, caused the price of zinc to drop from 16.2 cents a pound in 1952 to 10.8 cents in 1953 and caused the price of lead in the same period to fall from 16½ cents to a little over 13½ cents a pound in the same period.

As a result of this, the Tariff Commission, in an escape-clause action, recommended the restoration of the maximum duty on these products. While the President did not implement these recommendations, he did recognize that the Government was under some obligation to protect these industries from injury. He, therefore, directed an acceleration of procurement from the domestic producers for stockpile purposes and also encouraged the removal of more of the foreign metals from the domestic market by increasing the exchange of our agricultural surpluses for lead and zinc for the supplemental stockpile.

These measures had the desired effect. The price of zinc returned to an average of 13½ cents per pound and of lead to 16 cents per pound.

However, in May of this year, it became apparent that these programs would have to be severely curtailed. Further stockpiling of these metals could not be justified. It was not considered feasible to continue the exchange of agricultural surpluses for lead and zinc since it merely resulted in substituting one surplus for another. Announcement of these conditions has caused the prices of these metals to return to their 1953 levels.

In the light of this history, the Department of Commerce believes that the Government has an obligation to come to the assistance of these producers with a moderate proposal which will do no more than tend to equalize between domestic and foreign producers the cutbacks occasioned by the excess of world supply over world consumption. We believe that the proposal by the Department of the Interior meets this test and we recommend its enactment.

The CHAIRMAN. The Chair received a letter several days ago from Senator Bennett, of Utah, urging that this meeting be held, and I will ask that that letter be inserted in the record.

(The document referred to is as follows:)

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
July 17, 1957.

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

DEAR HARRY: For some years the plight of the lead and zinc miners in my State of Utah and in the West generally has been steadily growing more serious, and during the past few years the majority of our most productive mining operations have had to close down. Lead is now priced at 14 cents a pound and zinc at 10 cents.

The administration, in recommending a long-range minerals policy, included in that recommendation a provision calling for amendment of the Internal Revenue Code of 1954 to impose import taxes on lead and zinc. A number of bills implementing this provision have been introduced in the House of Representatives, and Senator Watkins and I joined in the introduction of a similar measure in the Senate. The House Ways and Means Committee has scheduled hearings on the bills pending before the committee, confining the testimony to the proposal submitted by the Secretary of the Interior. These hearings are scheduled for August 1 and 2, and it is hoped that the committee will then act swiftly on the legislation, so that we in the Finance Committee may have an opportunity to examine the problem.

The proposed legislation would substitute for the present tariffs applicable to lead and zinc articles sliding scale excise taxes which would become effective when prices decline to levels that would threaten serious injury to domestic producers. Such excise taxes would be suspended when prices return to and remain firm at levels sufficiently high to prevent economic distress to the domestic industries. The proposed excise taxes applicable to each of the commodities would be suspended if the average price during a 3-month period goes above 17 cents for lead or 14½ cents for zinc.

The reason our domestic mining industry needs this type of help is easily understood when we examine the difference in wages paid to miners in America and wages paid abroad. The effect of the competition of foreign producers in this strategic and vital industry is graphically portrayed by the fact that in Utah the number of lead-zinc mines has dropped from 21 in 1947 to 9 by 1955, and there has been a drop in the number of lead-zinc miners employed in Utah, from 9,000 in 1947 to 1,732 by last year, and, of course, the recent closings have caused even more of a drop. I am enclosing a copy of an article in one of our Utah papers commenting on the closing of one of the most productive mines in the West, which I think illustrates the sad condition of this vital industry.

I appreciate your scheduling hearings on this measure in the Finance Committee, and I sincerely hope that we on the committee might be able to reach quick agreement on the need for legislation this session. I am convinced that any further delay would be disastrous to the industry. Certainly, help for this essential industry is not only well justified, but passage of this legislation will be of great benefit to the country as well.

With kindest personal regards, I am

Sincerely,

WALLACE F. BENNETT.

[The Salt Lake Tribune, June 13, 1957]

UP AND DOWN THE STREET: END OF THE MINING ROAD, UTAH'S CHIEF CON CLOSES

(By Robert W. Bernick, Tribune business editor)

Chief Consolidated Mining Co., producer of lead and zinc for the Nation since 1909, Wednesday announced "indefinite suspension of operations," effective June 15.

This date thus marks the "end of the road" for the last operating metal mine in the historic Eureka-Tintic district of Utah, which has produced $500 billion worth of strategic metals during two World Wars and the Korean war for the United States.

Cecil Fitch, Jr., president and general manager, said Wednesday, "We have been fighting an economic battle against foreign imports for 11 years. The mines that are closing now, including the Chief Conesolidated, are not 'marginal' mines. They all closed 5 years ago.

"It is simply that under the impact of inflationary costs and low-wage produced foreign metals coming into the United States, evern mine in America will become 'marginal' at a certain price," the Utahan said.

Some 70 miners and their families will be affected immediately by the closure.

But for the miners in the Eureka-Tintic district, the process of economic struggle has been a losing one since the start of active promotion and subsidization by successive Washington administrations of metals produced in foreign nations and imported to this country.

Where thousands once labored in the creation of wealth for Utah there remained only hundreds in this district in the post war period.

In September 1954 the mining company pulled its pumps in the main ore-producing areas of the Chief No. 1 mine. From 286 miners, employment was reduced to the present 70 whose jobs end in a few days.

The miners of yesterday have now found other work, many outside the industry.

Mr. Fitch paid high tribute Wednesday to the men who have worked for the Chief.

"They have been a very faithful crew. They have produced as no other miners, even though in recent years wage reductions were necessary if any jobs were to be had at all. The United Steelworkers of America (AFL–CIO) has recognized our peril and our labor relations have been excellent.

"But we just cannot carry on any longer," the Eureka district spokesman said.

The Chief Consolidated Mining Co. was founded by the late Walter Fitch and his son, Cecil Fitch, Sr., both Michigan miners.

Mr. Fitch, Sr., on Wednesday marked his 72d birthday.

The CHAIRMAN. We are honored by the very distinguished Senator, Senator Mansfield, who is our first witness.

Senator CARLSON. Mr. Chairman, before the Senator from Montana proceeds, may I make a part of the record a copy of the letter written by the Governor of Kansas, Gov. George Docking, in the interest of this legislation.

The CHAIRMAN. Without objection.

Senator CARLSON. It was written to the chairman of the House Ways and Means Committee, but deals with the same legislation, and as our State is vitally interested in this legislation I would like to have this made a part of the record.

The CHAIRMAN. Without objection.

(The letter referred to is as follows:)

TOPEKA, KANS., *July 16, 1957.*

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

DEAR CONGRESSMAN COOPER: On August 1 and 2, 1957, the House Ways and Means Committee will conduct hearings on the administration's bill for the relief of the lead and zinc industry, and I am quite interested in favorable consideration for these interests.

A great portion of the Nation's lead and zinc industry is located in Kansas. As a result of the severe drop in the price of lead and zinc, this industry has been seriously affected. If the price continues at its present low state, further and more drastic adverse economic effects will result. This will endanger the continued existence of an industry that is vital to our national defense and will cause financial hardship and distress to those persons directly and indirectly dependent upon this industry for their livelihood.

I consider the relief of this situation to be of vital importance to the State of Kansas and the Nation. It is my opinion that the administration program represents the absolute minimum in the steps necessary to correct this serious situation. I, therefore, urge you, the members of your committee and the Congress, to expedite in every way possible the passage of the legislation necessary to enact this minimum program into law and to further consider additional remedies for this problem.

Very sincerely,

GEORGE DOCKING, *Governor.*

STATEMENT OF HON. MIKE MANSFIELD, UNITED STATES SENATOR FROM MONTANA

Senator MANSFIELD. Mr. Chairman and gentlemen of the committee, I appreciate the opportunity of appearing here this morning in behalf of legislation now pending before Congress, which, if enacted, would protect the domestic lead and zinc industries of our Nation from economic chaos.

May I point out, Mr. Chairman, that while we look upon the metal mining industry as a product of the West, that in addition to such States as Montana, Idaho, Colorado, Nevada, Utah, New Mexico, and others, that we find large holdings in such States as New York, Tennessee, and Oklahoma.

Not only that, but we find there are many fabricating plants for both lead and zinc in the East as well, so that this is, in effect, a nationwide problem and not just a problem confined to a specific area.

My deep concern over the situation in the lead and zinc industries prompts me to make this statement today. A statement concurred in by the entire Montana delegation, the distinguished senior Senator, Mr. Murray and our two able colleagues in the House, Congressman Lee Metcalf and LeRoy Anderson. Incidentally, may I say that both Senator Murray and I have "packed a bucket" in the Butte mines and we know from personal experience about the effects when these mines go down.

It is quite obvious to me that if the domestic lead and zinc industries are not to face extinction Congress is going to have to take action, as the administration has indicated its unwillingness to do so.

I want to express my keen disappointment in the administration's long-range minerals program as recently unveiled by the Secretary of the Interior, insofar as it affects import duties on lead and zinc.

I need not remind this committee that 4 years ago—on July 27, 1953—you passed a resolution directing the Tariff Commission to make a comprehensive investigation of the lead and zinc industries under provisions of section 332 of the Tariff Act of 1930, as amended.

That investigation was made, and concurrently the Tariff Commission also conducted an escape-clause investigation under section 7 of the Trade Agreements Extension Act of 1951.

At the conclusion of its investigations the Tariff Commission unanimously recommended the maximum permissible tariff increases on certain lead and zinc items of import, and increases of a lesser degree on other items.

The President did not follow the recommendations of the Tariff Commission and instead ordered stockpile acquisition of lead and zinc ores and concentrates through direct purchase and through barter deals as a means of raising the prices received by domestic producers to a level which would allow them to keep their mines open.

Partially as a result of these stockpiling and barter programs the price of zinc rose from a low of 9¼ cents per pound early in 1954 to a high of 13.5 cents per pound on January 7, 1957. During the same period the price of lead rose from 12½ cents per pound to 16½ cents per pound.

In April of this year the Government announced a decision to suspend the lead and zinc barter program pending an administrative review of the entire barter operations. As a result, by early May the price bottom literally fell out from under lead and zinc. Today the domestic price of zinc is again at a distressed level of 10 cents per pound—or approximately the price that was in effect when the Tariff Commission recommended increases in the tariff—and the domestic price of lead today is 14 cents a pound, or only a little above the price at the time the Tariff Commission made its recommendations on lead and zinc. London or "world market" prices, which inevitably affect the domestic price, are even lower.

This country's lead and zinc industries are in dire straits. Let us take a minute to look at the reasons for this. World production of zinc is up 56 percent since 1950, as against the increase in domestic consumption approximating 10 percent; and, parenthetically, it should be stated that the United States consumes approximately one-third of the world's production of lead and zinc.

Domestic production of lead and zinc has not kept pace with increased world production. In the instance of lead, world production has increase 45 percent since 1950, domestic production has gone up only 10 percent, and, in the case of zinc, world production is up 56 percent while domestic production is down 15 percent. The United States is simply being flooded with foreign imports of both of these metals.

The impact of these imports in recent months on the economy of the lead- and zinc-producing areas of our Nation has been serious. In Montana, one of the large zinc-producing States, the number of miners engaged in bringing zinc out of the ground has dropped some 1,500 men in the last 90 days.

The same is true in all other lead- and zinc-producing areas of the Nation. Just 1 week ago the American Metal Market reported, and I quote:

The New Jersey Zinc Co. has announced curtailment of slab zinc production at its smelters in Palmerton, Pa., and Depue, Ill. The cutback at both plants amounts to a total of 2,500 tons per month.

Other companies also have cut back drastically.

And still quoting:

Officials of the company stated that this production cutback has been forced by a heavy oversupply of zinc in the United States market due to an uncontrolled flood of foreign imports. These excessive imports have driven the price from 13.50 cents to 10 cents per pound within the past 60 days.

And still quoting:

The company feels that there can be no improvement in the situation and that further production curtailments in the zinc mining and smelting industry are bound to occur unless the Government adopts some means of controlling the exploitation of the domestic market by foreign producers.

A declining market for zinc concentrates and a resultant sharp drop in prices has resulted in curtailment of zinc mining and processing operations by United States Steel's Tennessee Coal and Iron division at its Jefferson City, Tenn., zinc mines and works.

Mr. Chairman, this is a report on the situation faced by only one large company, and I am sure that all of the other lead and zinc companies, large and small, are faced with a similar problem. An additional production curtailment in the lead and zinc industry is inevitable unless something is done to control the exploitation of the domestic market by foreign producers.

This is an extremely serious economic problem in our State, and the Montana delegation is taking this opportunity to strongly urge that this committee and its counterpart, the House Ways and Means Committee, take steps to meet the situation with adequate legislation so as to end the economic chaos existing in the lead and zinc industries.

We would urge you further to carefully consider the question of whether the peril points and import duties established in the bills before you are realistic and also to consider whether this problem can best be met by increasing present tariffs or imposing import duties or establishing import quotas, or a combination of the three.

Mr. Chairman, I would like to also call the committee's attention to the fact that this Nation's great copper-producing capacity also is beginning to feel the pinch of declining prices brought on by heavy foreign imports.

The day is rapidly approaching when the Congress must face up to the fact that the present peril point of 24 cents per pound for copper for tariff considerations must be raised by a minimum of 4 to 6 cents a pound. This is necessary if stability is to be maintained in the mining areas of this country.

Let us not forget that our economy is a metals economy. Our industrial life is based upon and is dependent upon a plentiful supply of the raw materials demanded by our metals economy in times of peace and war. The best insurance and assurance for such a plentiful supply is keeping intact or increasing our domestic minerals production, thus insuring an adequate economic and mobilization base.

I fully realize that the House must act first on this legislation, but I do hope that action can be taken expeditiously in both Houses of

Congress prior to adjournment. The economic plight of the minerals industry demands immediate action.

Mr. Chairman, I want to repeat again that this is not a provincial attitude I am taking, because the mining and the fabricating of metals, such as zinc, lead, and copper, is not confined to the West, but includes a good many of the Eastern States as well.

In conclusion, I want to thank the distinguished chairman and members of the committee for the opportunity of expressing the views of the Montana delegation to this vital issue.

The CHAIRMAN. We thank you, Senator, for your very fine testimony.

The chairman has received a letter from Senator Carl Hayden, chairman of the Appropriations Committee, which I will make a part of the record at this point.

(The material referred to is as follows:)

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
July 22, 1957.

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

DEAR HARRY: I regret that, because of a conference with the House of Representatives on the Department of Defense appropriation bill, I cannot appear in person at today's hearing, but I will be greatly obliged if the attached letter from Mr. Charles F. Willis, secretary, Arizona Small Mine Operators Association, and the accompanying data, be included in the record of the hearings that you are now holding.

Yours very sincerely,

CARL HAYDEN.

ARIZONA SMALL MINE OPERATORS ASSOCIATION,
Phoenix, Ariz., July 17, 1957.

Senator CARL HAYDEN,
Senate Office Building, Washington, D. C.

DEAR SENATOR: I am advised that Senator Byrd, chairman of the Senate Finance Committee, has scheduled 1 day of hearings on the various lead-zinc bills for July 22.

We are very anxious that Arizona's position relating to this proposed legislation gets into the record, and it will be greatly appreciated if you will see to it that the records for this meeting show that Arizona is strongly in favor of enactment of legislation as proposed by the lead-zinc program recommended by Interior Secretary Fred A. Seaton.

We do not care to go on record at this time as to which of the many proposals we favor as we appreciate that this is a matter that requires considerable study as to just where the peril points should be and just what tariffs should be imposed when the prices drop below these peril points.

We do, however, definitely want to go on record as favoring the idea of the setting of peril points for lead and zinc, with tariffs to be imposed when the prices go below those points.

I am herewith enclosing copies of a brief statement relative to the lead-zinc situation in Arizona. Practically all of our Arizona lead-zinc mines have been shut down in the past year and the only production we are now getting is that which comes from mines having a considerable gold and silver content.

The department of mineral resources lists 80 lead-zinc mines that closed during the period 1953–56, inclusive, and including the Mammoth and San Xavier mines, which shut down near the end of 1954. Thirty-four mines are shown as operating on its February 1, 1957, list. The July 15, 1957, list shows only 11 lead-zinc mines operating. Furthermore, besides the recent closing of the major Johnson Camp, McFarland, and Hullinger operations and the almost complete shutdown of Athletic Mining Co. operations, there is planned shutdown of another major operation whose closing will result in the shutdown of several small mines whose ores have been handled by it. The above shutdowns involved approximately 900 employees. Furthermore, there has been a decrease in the assessed valuation of mines in the State of over $11 million, caused solely by the shutting down of lead and zinc producers this past year.

It will be appreciated if you will see to it that this letter and the enclosure gets into the record of the Senate Finance Committee hearing on July 22, and that the record also include a copy of this letter and our endorsement of early action on this proposed lead-zinc legislation.

Thanking you, and with kindest personal regards, I am,

Very sincerely,

CHARLES F. WILLIS.

Arizona's part in the combined lead-zinc production of the United States

	United States mine production, lead and zinc	United States consumption, lead and zinc	Mine production lead and zinc, percent of consumption	Combined price of lead and zinc	Arizona lead and zinc production	Number Arizona mines producing lead and/or zinc	Tons lead and zinc production per mine	Arizona, percent of United States production
	Tons	*Tons*		*Cents*	*Tons*			
Yearly average, 1948–52, inclusive	1,040,050	2,041,424	50.98	31.028	81,905	154	532	7.87
Yearly average, 1953–56, inclusive	856,008	2,202,420	37.88	28.555	34,089	45	758	3.98

Source: Arizona Department of Mineral Resources, July 1957.

During the period (1948–52) when the lead-zinc industry was thriving in Arizona, there was an average of 154 mines producing lead or zinc or both metals. These mines produced an average of 532 tons of lead and/or zinc per year. In the 4-year period (1953–56) when the country was importing excessive quantities of lead and zinc, and the combined price of the 2 metals averaged only 28.555 cents as compared with 31.028 cents during the good period, Arizona's combined production of lead and zinc dropped from an annual average of 81,905 tons to 34,089 tons. Over 100 lead-zinc mines closed down. In 1956, there were only 27 lead and/or zinc mines operating. For the 4-year period there was an average of only 45 mines operating, as compared with 154 during the preceding 5-year period. The average of 758 tons of metal per mine during this period indicated the casualties were chiefly among the smaller mines, although there were 2 large ones closed—the Eagle-Picher, with its 270 men, and the St. Anthony, with its 185 men. Also, the Magma Copper Co. closed down its zinc section because there was more money in their copper production.

The other large producers such as Shattuck-Denn's Iron King mine, and the Coronado Copper & Zinc Co.'s Moore shaft were able to keep going because of byproducts, silver and copper. One other large producer, Phelps Dodge's Copper Queen mine, attributed its shutdown to exhaustion of lead-zinc ore bodies. However, it is fair to say that if the price of lead and zinc had remained at their high rate of 1948–52, an appreciable production of these metals could have been attained.

To have attained the favorable figure of 50.98 percent of Arizona's share of the domestic consumption during the period, 1953–56, Arizona would have had to produce 45,878 tons of lead and/or zinc annually, or an increase of 11,789 tons per year. Twenty-three Arizona mines, each with an annual production of 500 tons of lead and/or zinc, could have reopened.

In 1956, Arizona ranked 7th in zinc production among the Western States and 10th in the United States. In lead production, Arizona ranked sixth among the Western States and seventh in the United States. The fact that Arizona's share in production of lead and zinc in the United States averaged 7.87 percent in the good period and only 3.98 percent in later, poorer years, shows that Arizona mines were more affected by the decline in lead and zinc production than the rest of the United States.

The CHAIRMAN. The next witness is a very distinguished member of this committee, Senator Clinton Anderson.

STATEMENT OF HON. CLINTON P. ANDERSON, UNITED STATES SENATOR FROM NEW MEXICO

Senator ANDERSON. Thank you, Mr. Chairman and members of the committee.

It is with a sense of urgency that I submit this statement in support of S. 2376, which will establish a sliding scale of excise taxes on imported lead and zinc, which would become effective when market prices are at such low levels that serious harm would be done to our domestic industry.

For the third time in this decade the lead and zinc industry is faced with grave peril due to the flooding of our market with minerals of foreign origin. These imports are the product of operations in countries which are characterized by cheap and plentiful labor, large high-grade ore reserves, and a low standard of living. In contrast, our American miner is receiving his highest wage in history, and he needs every bit of it to maintain his high standard of living since the cost of living in America is also at the highest level in history. Our quality of ore and reserves have dwindled in comparison to our foreign competitors.

Three years ago I supported the Tariff Commission in its recommendation to the President that a slight increase in duties would have a strengthening effect on the domestic industry. At the same time, a small increase then would have had a stabilizing effect, while allowing our domestic industry to prosper. Instead, for other reasons, the administration chose to start large-scale buying in the form of a stockpiling program. In addition, through the bartering program of the Department of Agriculture, we obtained foreign metals for our supplemental stockpile in exchange for agricultural surplus. It is true that this Government purchasing kept the industry alive, but it was, at best, only a stopgap measure. It also allowed foreign producers to expand and further compete with domestic producers for the American market.

If we could have raised the tariff a little then and kept our purchasing program to fall back on in case of extreme emergency, our industry would not be in critical condition today. From a security standpoint, we would not be facing curtailment of the mobilization base of our domestic lead and zinc industry due to the forced closing of mines. From an economic standpoint, great numbers of our citizens in many States who are dependent directly or indirectly upon a flourishing lead and zinc industry would not be facing the bleak prospect of economic distress.

However, the events I have described are past history. We must appraise our present situation and act now and look to the future.

Our stockpiles are full and prices are still depressed. Inventories have shown that stocks of both metals in the hands of producers have increased considerably. Domestic zinc producers have not benefited at all in proportion to the growth of demand for zinc in the American market. United States zinc requirements have doubled in the last 20 years, yet producton is at about the same level as it was in 1936. Lead has experienced about the same fate. During our national emergencies, domestic producers expanded production to meet the increased requirements of Government and industry.

After the emergencies subsided, production was curtailed to stay in line with demand. This was not so with world producers, who increased production and expanded facilities to exploit the tremendous need brought on by the emergencies. Afterward they continued to flood the market without proper regard for demand, thereby forcing the price downward.

So the problem boils down to this: Although our lead and zinc requirements are greater than domestic production, we have such a terrific volume of imports that domestic mines with their high costs of production cannot operate at the existing American market price. At the present time, foreign imports of zinc are 43 percent greater than total United States production. Imported lead is 28 percent in excess of American production.

With the enactment of this proposed sliding scale of excise taxes, we can offer some protection to our domestic producers and still not greatly restrict the amount of imports needed to meet the requirements of industry and Government. By application of the appropriate excise taxes when domestic prices fall below what is considered as the level of "peril," we can bolster the domestic industry to the extent that it can keep operating until a new demand can raise the present sharp price decline and help utilize the increased surpluses.

As a Senator from a western mineral-producing State, I have a direct interest in this type of legislation. If anyone may entertain any doubts as to the urgency of the situation facing the domestic lead and zinc industry, I would only have him drop by my office and read some of the letters I have been receiving from constituents who are dependent upon a strong industry.

In Grant County, N. Mex., one of the hardest hit areas of my State, I am advised by some of the leading citizens that the present emergency is every bit as bad as it was in 1952 when not a a pound of zinc was produced in the States for months.

Several of the mines in the State have already ceased operation, resulting in over 300 families faced with loss of income. This setback has a disrupting effect on the economy of the entire State, and it is typical of what is happening and going to happen in other mining States.

I am confident that this committee and the Congress will act promptly on this proposed legislation which will be a step forward toward the solution of the vexing problem facing our lead and zinc industry.

Now, Mr. Chairman, it happens that Joseph H. Taylor, vice president of the Peru Mining Co., living in Silver City, N. Mex., is a longtime friend of mine. He is a member of the Emergency Lead-Zinc Committee. He is a very practical and capable miner who has wrestled with this lead problem, and with me about the lead and zinc problem, for at least 10 years, and I would ask that a statement he prepared for the Ways and Means Committee be inserted in the record at this point.

The CHAIRMAN. Without objection the insertion will be made.

(The document referred to follows:)

STATEMENT FOR THE WAYS AND MEANS COMMITTEE OF THE 85TH CONGRESS, WASHINGTON, D. C., JULY 17, 1957

My name is Joseph H. Taylor, vice president of Peru Mining Co., 515 West 12th Street, Silver City, N. Mex.; director and representing New Mexico Mining Association; member, Emergency Lead-Zinc Committee.

It is our considered opinion that the United States of America should have a healthy, going lead and zinc industry capable of supplying a major portion of the industry's requirements of these metals for this country in normal times, and in case of an emergency, such as war, maintain this country from being dependent on foreign sources for the major requirements of these metals. It is not our contention that we should prohibit the importation of ores, concentrates, and metals, but that the dumping and excessive importation of these metals from countries that, in general, have low-wage conditions should be controlled.

Early in 1952 the lead-zinc industry in New Mexico employed approximately 1,200 men. Some of these men were employed in the mills, some on the surface at the mines, and a large number of these were employed underground. During the next year, in the spring of 1953, more than 75 percent of these men had been laid off and forced to find other work or were drawing unemployment compensation. During the year 1954, there were but 7 tons of zinc produced in this State; however, in 1955, due to stockpiling of zinc and lead, some of the zinc mines went into production again, as the price rose to 13½ cents, and this production increased again in 1956. However, some of the mines did not open up and remained shut down during this whole period. For your information I have tabulated here the annual recoverable zinc produced from the State of New Mexico during the last 10 years, according to the United States Bureau of Mines statistics.

Year:	Tons zinc	Year—Continued:	Tons zinc
1947	44,103	1952	50,975
1948	41,502	1953	13,375
1949	29,306	1954	7
1950	29,263	1955	15,300
1951	45,419	1956	35,200

Last year, although many of the zinc-lead mines in New Mexico were in operation, the State inspector of mines shows that there were 527 men employed in the lead-zinc industry in New Mexico. These operations continued until the break in price, which started the first week in May. This break in the price of zinc was not caused by underconsumption of zinc in the industries of the United States, but was caused by the increased imports of zinc ores, zinc concentrates, and zinc metal. During the past year, in spite of the large tonnage of zinc metal purchased for stockpiling by our Federal Government, the stocks of metal increased monthly.

Our Kearney mine was shut down immediately upon the report of the break in the price of zinc. Other mines in the area started preparing for a shutdown as the price of zinc slipped on down. The Groundhog mine discontinued operations July 13. Our shutdown caused the laying off of 115 men. The shutdown of the Groundhog mine caused the laying off of an additional 205 men. Other zinc mines have laid off part of their crews, and stopped development, but are not as yet ready to cease operations, hoping that something will be done in the immediate future that will save their mines.

The annual report of the New Mexico State inspector of mines for the fiscal year ending June 30, 1952, shows there were produced 13,205 tons of recoverable lead, valued at $4,707,499, and 50,629 tons of recoverable zinc, valued at $13,270,914. This is aproximately 64,000 tons of metal, valued at approximately $18 million. Of this $18 million approximately 47 percent went for labor, which was largely spent in the area with merchants supplying food, clothing, and household furniture. In addition, the employees bought automobiles, paid taxes, and bought bonds. As and when the rest of the zinc mines are closed down, this income for the State of New Mexico will be entirely lost. These employees will be forced to go to other localities to find employment. The merchants will be affected. The taxes on the property will be disseminated and in every way this will be a serious matter for the area. The following important lead zinc mines of the central mining district, which were operating during 1952, are totally closed down:

Kennecott Copper Corp. Oswaldo No. 1 and Oswaldo No. 2
American Smelting & Refining Co. Groundhog mine
Peru Mining Co.—Pewabic mine and Kearney mine
Peru Mining Co.—Deming Mill
American Smelting & Refining Co.—Deming Mill

There are still two operations continuing in production: United States Smelting, Refining & Mining Co. and New Jersey Zinc Co. Hanover mine. However, they have curtailed development and are not certain of continuing for any length of time. There were many small mines in addition to these which were operating in the past and have now closed more or less permanently.

The closed mines are now at heavy expense to maintain conditions of equipment and keep the water pumped out. As time goes on the cost of maintenance will either be excessive or lacking proper maintenance; the property will gradually deteriorate so that something should be done to get these mines into operation as promptly as possible. The loss to this country of this production is a serious setback for metal production in general and unless a sound market for our domestic production is achieved in the near future many of these mines will be permanently out of operation.

In normal times, over the past years, two-thirds of the zinc consumed in the United States was produced by our domestic mines and one-third came from foreign sources. Over the past few years this has changed so that two-thirds has been coming from foreign sources and one-third from our own domestic mines. It is not our wish to prohibit the importation of zinc and lead but to control the imports and protect our domestic mining industry. It is our belief that this importation is perfectly proper, and when there was a shortage of metals the Emergency Lead-Zinc Committee recommended to Congress to permit lead and zinc to come in duty free. However, the very low tariff on zinc at the present time does not in any way protect the domestic zinc industry, and now more than two-thirds of the zinc consumed in this country comes from foreign sources. If this continues, no doubt the domestic zinc mines will be permanently shut down and the Nation placed in a critical position in the event of sudden need for lead and zinc.

It is my recommendation that the domestic industry urgently needs legislation to establish a peril-point price of 14½ cents per pound for zinc and 17 cents per pound for lead. Such a program, implemented by an adequate excise tax, will give only reasonable protection to the domestic industry and at the same time permit imports free of tax or duty so long as the foreign producer does not flood our markets with his products and depress the market below the peril-point price.

The CHAIRMAN. Any questions?

Senator KERR. I would like to ask a question. Senator Anderson, is it a fact that most of the imports are being brought in by American companies operating mines owned abroad?

Senator ANDERSON. Well, we had in the Interior Committee, as the Senator from Nevada will remember, a very long and very hot sesssion on that subject at one time when probably I would be regarded as a prejudiced witness. I took the position then that a great deal of our trouble was from American-owned mines abroad, particularly owned by 1 or 2 particular groups, but I thought they had possibly and improperly used some American credit—I don't mean improperly in the sense of obtaining money, but they obtained physical supplies from this Government and had opened up these particular mines—and I felt it was too bad that our own capital was being used to break our own miners. I didn't blame the people who took advantage of the law or the opportunity. I just thought it was too bad.

Senator KERR. That's true of the importers of lead and zinc?

Senator ANDERSON. Yes, sir; it is absolutely true of the importers of lead and zinc.

Senator KERR. That's true of the importers of copper?

Senator ANDERSON. It is; although I want to say to the Senator from Oklahoma that our copper mines in New Mexico were doing reasonably well because they had some byproducts we pay heed to—all that comes to my mind is the term "the pig who is squealing," but they are certainly not that. They are miners who are in trouble.

Senator KERR. The Senator referred to the situation that seems to be developing with reference to copper.

Senator ANDERSON. It certainly is, and I subscribe to what the Senator from Montana said with reference to the copper situation.

Senator KERR. And to the degree that that situation is beginning to approach the one now existing with reference to lead and zinc, it also is being brought about by the importation of copper mined mainly by American copper companies in foreign areas.

Senator ANDERSON. It is.

Senator KERR. Is not the same thing true with reference to the importation of oil?

Senator ANDERSON. Yes, of course. I don't talk about oil when the Senator from Oklahoma is present because he knows the world situation so much better than I; but the oil operators, particularly independent oil operators, in my home State, are now greatly distressed because of the importation of oil from areas where the development of that oil is being done by American capital. We don't question the right of American capital to go anywhere in the world and develop industries, but we think it is too bad that the fortunes that have been made out of the oil resources of the United States now find their way into developments in other areas that bring that oil back into this country to compete with oil properties when we are having difficulties.

Senator KERR. Is it accurate to say that, with reference to all three situations where American companies go into foreign areas and develop reserves there and either mine or produce them and bring them here, these things happen?

No. 1, labor for producing those products which are consumed by Americans is foreign labor.

Senator ANDERSON. That's right.

Senator KERR. No. 2, the development of the economy of the area in which the product is obtained is a foreign area.

Senator ANDERSON. That's right.

Senator KERR. No. 3, the company which produces it there pays its taxes to the foreign governments.

Senator ANDERSON. You have an advantage over me there, because I have been through a lot of material that has been sent me to indicate that sometimes there is a tax situation that results in a tax benefit to the United States as well as the taxpayment to a foreign government.

Senator KERR. Isn't it a fact, for instance, that the great importing American-owned oil company that made hundreds of millions of dollars out of oil in the Near East got a tax credit with the Internal Revenue Department here for the taxes it paid over there, and the net result was that it paid no taxes on the profit it made on that foreign oil in this country?

Senator ANDERSON. Yes; and I think that is wrong, and I hope that someday the Finance Committee is going to be able to correct it.

Senator KERR. Isn't it likewise true that an American lead and zinc company producing lead and zinc in Mexico or Canada, or wherever they produce it, to the extent that they pay taxes on the profits they make on that produce to a foreign country, get a credit from the Internal Revenue Department here, with the result that they do not pay that tax to our Government?

Senator ANDERSON. That is my understanding. I do want to say that my main quarrel with the lead and zinc situation, however, was that we had a defense minerals policy that permitted people in this country to observe our situation, to hold back at times some of our mines, and to expand production in countries other than the United States, and then once the emergency was over those same people seemed to be in direction of our policy again and made it impossible for us to get any kind of tariff relief because they were so vitally concerned with the organization that had been built up abroad. I had my attention, I want to say to the Senator from Oklahoma, more acutely called to that than I did the tax situation that they were in. We were so mad to think that our own money had been used in the shape of a loan to open up a property that then kept our own taxpayers from being able to contribute taxes. It closed down properties all over our country.

Senator KERR. I think the observations of the Senator are very pertinent, and I think he has made them from the standpoint of ability and knowledge of the subject. The only thing I was doing was pursuing some other aspects of what I believe is the same situation.

Senator ANDERSON. I think that is absolutely true. I only was trying to say to the Senator that I have not studied the tax situation of these companies or had it drawn to my attention as clearly as I have the oil situation, where I knew that a large share of the oil profits were being paid another country as a royalty up to a half, and that thereby it completely threw off the tax structure of what they had to pay to the United States.

Senator KERR. But the same law of giving credit to an American company for the taxes it pays to a foreign government on the profit it makes by its operations there, in computing what it owes to our own tax-collection agency is as identical as the one under which the American companies producing foreign oil receive their credit.

Senator ANDERSON. I had not realized that. The Senator only strengthens me in my support of the bill. I am more anxious than ever to support Senator Watkins in his endeavor.

Senator KERR. It seems to me that, as we study this problem, we should do so from all of the aspects of it.

Senator ANDERSON. I would agree with the Senator.

Senator KERR. And if we have, as it seems perfectly apparent to the Senator from Oklahoma, either encouraged the situation or permitted the situation to develop whereby the American consuming market is being used by the producers of products who are American in identity but who in their present operations have developed a situation whereby all of the labor that gets the benefit of this production is foreign labor, the local economies developed by this activity are foreign localities, the profits made on this operation are being taxed by foreign governments, our own domestic producers are thereby immobilized, disabled, our own local communities are thereby being made into ghost towns, and so we have them in Oklahoma, and I'm sure you do in New Mexico in the lead and zinc area——

Senator ANDERSON. We certainly do.

Senator KERR. And American industry operating here is being penalized, and our Government is collecting no taxes on it, our State and local governments are collecting no taxes on it, yet the American consumers are supporting the entire operation which has thus developed into a situation where all of the cost is being borne by Americans, all the penalties are being suffered by State, local, and Federal Governments here, and all of the profit is being captured and taxed and beneficially used by foreign localities and foreign governments and foreign tax collectors.

Senator ANDERSON. I think that is a terrific situation, and I am glad the Senator from Oklahoma has pointed it out. I have translated it this morning in terms of little communities and little mines that I know in the southwestern part of New Mexico.

Senator KERR. Is labor there unemployed?

Senator ANDERSON. Yes.

Senator KERR. Is the local community thus damaged?

Senator ANDERSON. Yes.

Senator KERR. Is the local tax-collecting agency thus deprived of revenue?

Senator ANDERSON. It certainly is.

Senator KERR. But the American consumers, who are the ones that are furnishing the market for the product in competition with that which would be produced in your areas, is being destroyed as a local industry?

Senator ANDERSON. Yes; and I say to the Senator that we have had these ups and downs in the mining industry, but you would think finally that lead and zinc would get established and things can go ahead. The town of Deming, N. Mex., had a very difficult burden for many years. It had been the site of an Army camp in World War I. Then it suffered several years of decline after the camp was closed.

Then it was the site of a very fine airbase during World War II. Then the community made every effort in the world to keep industries in that airbase. It had a fine hangar. It tried to rent the space out to manufacturing concerns. It tried to start a little venture or two down there, and the community, you could just see it trying to hang on by its fingertips to the little trace of prosperity it had for a few years during the war. It had a little irrigation development, some cotton came in, and it helped some but the community was in peril at all times. Yet the Peru Mining Co. had a mill there and the American Smelting Refining Co. had a mill there, and as long as those two mills stayed in operation it looked like the community was going to be all right. Then I tried very hard to take the manganese stockpile, which is located at Deming, a very substantial stockpile, and let that be milled by one of these mills so that employment could be provided for these maybe 100 families that had wrestled with this problem for a long time.

Breaks also started to come in the lead and zinc industry, and I would get letters from people saying, "Do you remember, Senator, you came out to my house and I talked to you about this danger and told you that I had a job in the mill and hoped I wouldn't lose it because of the price of lead and zinc?"—and you would get dozens of those letters. Now the price has dropped, and the Peru mill at Deming and American Smelting mill at Deming has closed, the Peru Mining Co. has also closed, and the Kearney mine. It was the very first thing it did when the break came in the price. Now we have two properties going in a very small way down there. United States Smelting & Refining has a small property, and New Jersey Zinc has its mine still going. I have driven around campaigning, I must say, to every one of these properties at various times, waited until the men came off shifts, and also visited with them, and these aren't just ghost towns to me. These are towns still filled with people who want to work and who are anxious to be employed, and who are not demanding extravagant wage scales, who are not causing labor difficulties, but who are just anxious to have an opportunity to stay at that mine and be employed.

Senator KERR. To produce a product in America for an American market, the development of American communities, and pay taxes in America?

Senator ANDERSON. Yes; and on a commodity that the American market needs in excess of what is now being produced in America.

Senator KERR. And which this country, if it got into a war, would be critically short of?

Senator ANDERSON. Yes; we have spent a great deal of time, along with the Senator from Nevada, our committee has, in looking at these strategic materials and finding out where they are and where they would be available. One of the materials that you always need—or three of the materials that you always need are copper, lead, and zinc, and I think it is too bad that we miss our opportunity to keep these mines going when I think only a very slight tariff adjustment would do it.

Senator KERR. I want to thank the Senator for what he said, and close with this observation: It seems to me the height of stupidity for a government even to tolerate, and let alone encourage and perpetuate, a situation which penalizes every phase of the American economy—labor, local industry, local community, the tax income of States and local governments and the tax income of the Federal Government—and transfer all of the profit to be made out of this American consumed market to foreign labor, the tax income to foreign government, the economy building in foreign areas; and the only ones that profit by the thing are a very limited number of American producers, and with reference to which they pay absolutely no tax to the American Government or any American State or any American community.

Senator ANDERSON. I want to say to the Senator that I couldn't agree with him more, but I also want to say that this is not a new subject with me. I was in the House of Representatives when World War II started, and I was made a member of a committee of five from the House. There were 3 from 1 party and 2 from another, but a little group of Congressmen who were representing western mining States, who were worried about this situation and who were worried also about a price situation that seemed to make this impossible for these mines to open, and I remember saying to Leon Henderson then that these mines in the West were almost like a quick-turning valve, that you didn't have to just twist away forever, that you just give them a decent price and they just open right up and start pouring out lead and zinc. He finally was persuaded to give some slight recognition to that fact, and these mines did do a job. They did a remarkably fine job. They are small, some of them, yes; but they were able to produce and they produced a great deal of needed material for this country. Now I then was interested in a policy that would make it apparent that we did not intend to let these drop down so low that we had to start them up fresh again. Sometimes you lost mines entirely, as, for example, the Calumet and Hechler Copper property—I think it is near Michigan—which has become watered and you can't use it any more.

I used to go to a mine at a place called Valedon, where a man had a very good property.

He was an excellent businessman, and I saw my first view of what a businessman could do in the management of a mine because others had failed with that mine. That man wrote me a stream of letters while I was in the House of Representatives saying, "Everything I put into this mine is going to be gone. They are forgetting what I have done. They are forgetting that I have tried to develop an area."

Later, when I was down in his county, I went out to try to find him at Valedon. Well, he wasn't there, his mine wasn't there, and Valedon isn't there. It is just all gone, and I think that is tragic. I think that the development of these communities in Africa, at the loss of these small American communities that did a war job and are prepared to do it again, is too bad. I have taken too much time, Mr. Chairman.

Senator MARTIN. I am terribly sorry I must leave the meeting. I had agreed to meet some men before I knew that this meeting was to be held on this very subject, and so I would like to be excused, but I would like the opportunity of asking the distinguished Senator just 2 or 3 questions. From your experience it is the small mine that is being damaged much more than the large mine.

Senator ANDERSON. Yes; some of them are marginal mines and, of course, they fell the quicker. If you have a marginal operation you naturally look at the easiest place to get rid of it, but these are not necessarily small companies or operations.

Kennecott Copper has a property in our State that it has had to close down—not their large copper mining property, yet. I think it would be the greatest tragedy that our State could have if the great mine of Kennecott were to be closed down.

Senator MARTIN. Mr. Chairman, the distinguished Senator from New Mexico and the distinguished Senator from Oklahoma had a discussion relative to the importation of oil. Isn't it the small oil producers that are being damaged by importation from other countries.

Senator ANDERSON. I would again assume so, Senator, because Standard Oil has not wirtten me saying they think importation of oil is bad, but a great many small independents have been telling me what their problems are, and I can read what the allowable in Texas is. There are a great many oil properties in Texas that are somewhat marginal, if you cut them down below a certain level, and they have been cut to that level, and we have had to hold our oil production down in many, many areas. I realize in one area of my State oil is being produced at a depth of more than 10,000 feet—they get a 50-barrel-a-day allowable; there isn't a chance they are going to make any money out of it.

Senator KERR. What about the tens of thousands of wells in the State of Pennsylvania that are producing less than half a barrel a day?

Senator ANDERSON. The small stripper well is in deep trouble, of course; they are bound to be.

Senator MARTIN. Mr. Chairman, I would like to make this comment and then hear any comment that the Senator from New Mexico might have. In any producing area you get down in a few years at least to what we call stripper wells. In the Commonwealth of Pennsylvania we still have about 80,000 oil and gas wells. As Senator Kerr stated, they produce less than a half barrel per day. Many of those wells, thousands of them, are produced by farmers. They have bought the wells at junk prices and they can conduct their farms and also produce these wells, and it is not only very profitable for them but it is a source of very valuable oil.

Senator ANDERSON. Yes, it is; and it is a conservation practice.

Senator MARTIN. Those are the men that are being terribly damaged by these heavy importations?

Senator ANDERSON. Yes; and they are men that need protection and need help. You will find that these small wells that are being operated by these individuals, the individuals somehow don't get in and join the associations that would protect them, and they need the help of the Congress in that protection. I went into Illinois some years ago and found a great many farmers where oil production had dropped. It had been very flush for a short time and then it dropped very substantially, and I couldn't find anything like the organization that you can find in the areas of New Mexico, northwestern and southeastern portions, where the oil operators are closely integrated and work together. But it is that type that needs protection from this importation of oil, and I think it is an important problem that we must deal with.

Senator MARTIN. Mr. Chairman, the distinguished Senator from New Mexico took a very prominent part in Government during World War II. Isn't the only safe plan that we can assume here in the United States is to have critical ores. critical metals, critical production like oil within our own boundaries? Because in case of war when we have to ship these critical items by ships, and the submarines that probably Russia is planning right now makes it pretty near impossible to import those articles during times of war.

Senator ANDERSON. I don't think there is any question about it. I think it is a matter that this Congress and this committee needs to devote attention to. It, of course, is not just minerals. It covers a great many things. We didn't realize how many things we lacked in the shape of oils of various kinds. I don't refer just to the type of oil that is used in ordinary propulsion, but I recall of when I went into the Department of Agriculture I found we had enormous stocks of strange oils that I had never heard about, words that I had never come across in reading, but they had particularized functions in the handling of a special type of weapon, and now we have found that some of those things can be located in this country. We were dependent at one time upon India and elsewhere for rare earths. Now we find some deposits of them in the United States. Yet you try to interest somebody in protecting the miner who has developed a mine that has in it enormous quantities of rare earths and we are almost told that the Government is not interested in doing so.

I could supply the Senator from Pennsylvania a list of several points that have been developed recently that carry a mineral to be sure that ought to support the mine, but have a large quantity of rare earths, and particularly I must say to the Senator, too, that are so rare that the Atomic Energy Committee doesn't allow me to even mention the fact that they are rare.

I have to look at them and say "What is that?" And yet the operator of these mines gets no help. Now it is only tied into the general problem. I am not going to complain that these two small properties that I have recently become acquainted with are having difficulties. It is the problem that the Senator from Utah and the Senator from Nevada and the Senator from Oklahoma address their attention to that embraces a host of things. If you want to point out how rare some of these things are, you reveal your own weaknesses, and you may not want to say that we have to be careful about this or that. But this much we do know, there has never been a time when copper, lead, zinc, and oil have not been the backbone of whatever effort we have made in a military way. I am very hopeful that this country takes the best possible viewpoint of this whole problem. When the friends of the Senator from Pennsylvania are working these very small oil wells that are producing only a small amount of oil, they are, however, getting down to the recovery of the last available drop of oil that is in that well, and if that isn't conservation, then I don't know what conservation is.

Senator MARTIN. Mr. Chairman, I am not going to prolong this longer, but I would like to make this comment: I am very greatly in sympathy with any community that is trying to evade having what we call a ghost town. We don't think of that probably as it relates to Pennsylvania, but I presume Pennsylvania has more ghost towns than any other State of the Union. We started in with lumber. That produced ghost towns. Then we had oil and gas and coal and slate—and I am also terribly in sympathy with the man that loses his job because it is necessary to quit some industry because of, particularly, importation from other countries.

I am not going to ask the Senator this question because it is probably unfair, but I would like the distinguished Senator from New Mexico to give consideration to the importations as they relate to smaller manufacturers. We have so many of those in Pennsylvania. Take, for example, the manufacturing of watches. It is a very important business as far as national defense is concerned, because those workers are our precision workers for precision instruments during time of war. Now, we have so many of those kinds of things, and I would like for all Members of Congress to give consideration that we must protect these small industries throughout the country, because that avoids a lot of ghost towns that you mentioned, and I am fully in sympathy with you, and I apologize, Mr. Chairman, for taking so much time, but it is, I think, a subject that Congress must give most serious consideration to almost immediately.

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone?

Senator MALONE. I would like to ask the distinguished Senator a question or two for the record. He is a very distinguished member of the Interior and Insular Affairs Committee, I think No. 2 on the Democratic side of that committee, and he has been very active in all of its work. Now, as a matter of fact, in order to keep in any business in this country practically, whether it is lead or zinc or copper or mining or textiles or whatever it is, do they not need a price, a set price or a duty, that would make the difference in the labor cost, in the cost of doing business, which includes the taxes in this country and in the chief competing nation on that particular product, whatever it is?

Senator ANDERSON. Yes; I think they need an adjustment. I don't see that they need to cover it all, but they certainly can't be left out without protection at all, and I think they do need an adjustment.

Senator MALONE. At least that is the principle?

Senator ANDERSON. Yes, indeed.

Senator MALONE. Now the next question. If you have a wage of $17 a day in this country and have a wage of $2 or 50 cents a day in some other chief competing country, then unless you can make up the difference in the effective wages here and the effective wages in that country, meaning by "effective" to take into account the efficiency, and the difference in the taxes and the cost of doing business, you are not in business in this country any more; are you?

Senator ANDERSON. You are not; and the Senator and I know many firms that have had to travel that route.

Senator MALONE. Isn't it just that simple?

Senator ANDERSON. Yes; it is.

Senator MALONE. Now then, it only devolves into a question of how to do it and who is to do it, whether it shall be done on a principle or whether it shall be done by a sharpshooting method, someone just saying you can do this in this case but not in this other case. Don't you have to determine how it is to be done? Congress must do that.

Senator ANDERSON. Yes.

Senator MALONE. Now then, I myself do not consider the subsidy to any business, whether it might be textiles or minerals or machine tools or whatever, if that fixed price or duty only equals that difference in wages and difference in taxes. If it is no more than that it isn't a subsidy. It is a matter of meeting our own standard of living wages; isn't it?

Senator ANDERSON. I think it is.

Senator MALONE. Then on every hand you hear press reports and everything that you are asking for a subsidy on zinc and lead. If you had a duty or a tariff or a fixed price on zinc and lead that made the difference in the wages in this Nation, in the cost of doing business, including the taxes, which is very adequately explained that they don't pay on the imports, that you would be in business; wouldn't you?

Senator ANDERSON. I think you would be.

Senator MALONE. Then if you were not in business with only that tariff or fixed price that made up the difference in the taxes and the labor and general cost of doing business in this Nation and the chief competing nation on each of these products, lead and zinc, then it would be a subsidy in my opinion, and I will ask the Senator if he does not agree with me, and then it would be a matter of special action by Congress if they wanted to pay a subsidy. That would be right; wouldn't it?

Senator ANDERSON. Yes; I do want to say to the Senator that when he mentioned the word "subsidy," I think you have to pay——

Senator MALONE. I am only mentioning what is said in the newspaper.

Senator ANDERSON. Yes; but I think you also have to pay something for any kind of protection that you have in this world, and part of what we are paying, whether it may be regarded as subsidy, could also be regarded, I think, as a little protection so that you have what you want when the proper time comes.

Senator MALONE. I fully agree with the Senator, but I only wanted to make it clear that if we had a principle established by Congress that the duty or tariff or the fixed prices on lead and zinc would at all times equal that difference in the wages and difference in taxes and cost of doing business here and in the chief competing country, then we would be satisfied to start with that; wouldn't we?

Senator ANDERSON. Yes, indeed.

Senator MALONE. Then if it came about, developed that this did not keep us in business in this country, and you needed it for national defense, then it would be a special subject for the consideration of Congress; wouldn't it?

Senator ANDERSON. That's where the subsidy might start.

Senator MALONE. There the subsidy might start above the difference in wages and the taxes involved and the cost of doing business here and in the chief competing nation. Now, then, the reason I am for the Secretary of the Interior's bill, which I presume is what the distinguished Senator from Utah has introduced, and I told him that if he will remember in an examination of the Secretary when he first presented what he called his long-range plan on minerals, which developed to be only on zinc and lead, that I was for his plan, although I do not believe it will work, because it puts on a certain amount of duty when the price goes below a certain amount, and it taken it off when it gets up to a certain amount, and everybody is confused. And another thing then: That amount would have to be changed if the chief competing nation manipulated its currency in terms of the dollar, and manipulated other costs, which they are perfectly able to do, as was pointed out in Senate Report 1627 that was turned out after about 3 years' work in our own committee.

The reason I told him I was for it is because he was the first man that had ever broken through the sound barrier at the White House in 24 years, and got them to acknowledge that you either had to have a fixed price or a duty to make up that difference we have already described.

If that is the case, then, and the White House, after 24 years, has acknowledged that, then it only devolves into where it can be most efficiently fixed; doesn't it?

Senator ANDERSON. Yes.

Senator MALONE. And how?

Senator ANDERSON. Yes.

Senator MALONE. Now the Senator is entirely cognizant I know of all the different manipulations of our own in the duty and tariff field and fixed-price field, because I know he has sat there with us when we passed two mineral bills in the Senate. I'm sure you were there then. They failed in the House, but they would have taken care of, generally, this problem we are on now. Up until 1934 we had a principle, awkwardly administered at times no doubt, but an effective working principle nevertheless. The 1930 act directs the Tariff Commission to determine the difference in cost of doing business here and in the chief competing country and recommending that as a tariff; doesn't it?

Senator ANDERSON. Yes; but the Senator recognizes, as I do, that we have never been able to get that working somehow.

Senator MALONE. We couldn't get the thing working because in 1934 there was another bill passed that transferred the constitutional responsibility of Congress to the President to regulate foreign trade in the national economy with full authority to transfer that responsibility to any nation or any area he wanted to under the auspices of any organization they might spearhead.

In 1947 they transferred that authority to Geneva under the auspices of General Agreements on Tariffs and Trade, and at the present moment there are 34 foreign competitive nations there regulating our foreign trade and national economy. So we are here, this spectacle of the United States Senate begging that this country's industries might be allowed to live when Congress has voted away the one thing that would let them live; isn't that about right?

Senator ANDERSON. I think I would have to say that, if we had retained the authority, it might be easier to approach it now.

Senator MALONE. In other words, they would be testifying before you, not you before a committee?

Senator ANDERSON. That is why I want to say that I have been anxious to try this sliding scale. We have tried everything under the sun to get this to work, and it has not worked out. This seems to offer real possibilities.

Senator MALONE. The 1930 act established a sliding scale. Then we abandoned it in 1934; now we have an OTC here before the committee that would approve what they are doing in Geneva. I understand they have refused to hold hearings on it in the Ways and Means Committee in the House. I hope this committee is that smart, though I don't know for sure that it will be.

Now in June 1955 the 1934 Trade Agreements Act was extended until June 1958; that's right, isn't it?

Senator ANDERSON. I don't know.

Senator MALONE. I will tell you that it is right.

Senator ANDERSON. I will take the Senator's testimony.

Senator MALONE. So unless Congress further extends the 1934 Trade Agreements Act, it is right back where the Congress put it in the first place; isn't it?

Senator ANDERSON. Yes; it is.

Senator MALONE. Isn't that where you would like to have it?

Senator ANDERSON. That would be a pretty good place to have it.

Senator MALONE. Thank you.

I submit for the record a statement by Senator Frank Church in support of S. 2376.

(The document follows:)

STATEMENT OF SENATOR CHURCH, DEMOCRAT, OF IDAHO

Mr. Chairman, I appear before the committee today on behalf of a very sick industry. The lead-zinc mining and smeltering industry, centered in the northern part of my State, in the eyes of some, would be considered a comparatively insignificant employment bloc. The direct employment of the industry is now not much over 3,000, and at its maximum it is not much over 5,000.

Mr. Chairman, these figures tell an incomplete story. The mining and smeltering processes of lead and zinc are the economic heart of northern Idaho.

I am sad in the knowledge that the pall of depression hangs over the Coeur d'Alene mining district. Thus far, the depression is more in the spirit and attitude of business in the area than it is in the statistics of business failures, unemployment, and outmigration of skilled workers, although there is plenty of evidence of these latter things.

The effects of a prolonged depression in the price of lead and zinc are manifold. The strength of the lead and zinc industry depends upon continued expensive exploration at very great depths in the earth, and, insofar as a mining company depletes its established reserves without developing new reserves, it moves inexorably toward its own demise, even though, for the time being, its profits continue.

In the supporting businesses the sickness of the mining industry is felt; the merchant lays aside his plans to expand; the lawyer and the doctor, and other service vocations, suffer drop in income; new building ceases; repossessions go up; credit becomes unavailable; and the temper of the community becomes tense. These things are happening now in the mining districts of northern Idaho.

Mr. Chairman, the representatives of the lead-zinc industry, who will testify today, will give you all of the facts and figures, and I am convinced they will do so responsibly. My purpose in being here is to emphasize to you as strongly as I can that our national welfare dictates that we have a healthy mining industry, and that something will have to be done quickly to alleviate the distressed conditions which exist today.

S. 2376, before this committee, may require changes. It is my hope, however, that the urgency which I have outlined will be borne in mind in the committee considerations, and that the committee will be able to report on the measure promptly.

The CHAIRMAN. The Chair recognizes the very distinguished Senator from Nevada, Senator Bible.

Senator BIBLE. I would be very happy to defer to Senator Watkins, Mr. Chairman.

Senator WATKINS. I would appreciate that very much, because I only have three other committees to attend this morning.

The CHAIRMAN. Senator Watkins, we are very happy to have you. Won't you have a seat and proceed?

STATEMENT OF HON. ARTHUR V. WATKINS, UNITED STATES SENATOR FROM UTAH

Senator WATKINS. Since I have some very fine cosponsors, I would like to read their names at this moment: Senator Bennett, of this committee; Senator Malone, of this committee; Mr. Allott; Mr. Bible; Mr. Carlson, of the committee; Mr. Church; Mr. Goldwater; Mr. Knowland; Mr. Kuchel; Mr. Magnuson; Mr. Monroney; Mr. Murray; and Mr. McClellan.

Mr. Chairman, I greatly appreciate the opportunity of appearing before the committee, and I express appreciation to the committee for the effort it is putting forth to expedite consideration of legislation designed to aid this vital domestic industry. I recognize this is an almost unprecedented Senate hearing on S. 2376, a revenue-raising measure. It is indicative of the serious plight which the supporters of this bill, the industry, and the administration believe confronts the lead and zinc industry.

This bill, which I introduced in behalf of 2 members of the committee, Senators Bennett and Malone, and 11 other Senators, including myself, represents a bipartisan concern and endeavor to bring much-needed relief to this industry.

The causes of the economic plight of the lead and zinc industry are not of recent origin, but chronic in nature, extending back over many years. They are concisely put in the following statement, taken from a recent publication of the Emergency Lead-Zinc Committee:

The prices of zinc and lead today are 10 and 14 cents per pound, respectively. The domestic industry cannot survive on these prices.

These distressed prices result directly from foreign overproduction of metals and concentrates and dumping of these products in this country. Domestic-mine production of lead and zinc has actually declined over the last 10 years. Foreign mine production of zinc has more than doubled during the same period, while that of lead has increased about 75 percent. Domestic smelting production of slab zinc and lead has increased over a 10-year period only enough to meet the increase in domestic consumption. Foreign production has increased some 118 percent in the case of zinc and 77 percent in the case of lead.

The domestic producers expanded production to meet increased needs of our Government during national emergencies, but when the emergencies passed exercised reasonable restraints to bring production into line with the reduced demands.

Not so the foreign producers. They increased their production by leaps and bounds. When our Government needed lead and zinc most, they sold in foreign markets where prices were higher. When demand fell off and foreign prices dropped, they turned to our markets and literally flooded them with their surplus. * * *

The domestic producer has been seriously injured 3 times in the last 10 years by the flood of imports—once in 1949, once in 1952–54, and again today (The Lead and Zinc Mining Industry of the United States and Why It Should Be Protected Against Excessive Imports, p. 104).

It is interesting to note in this connection that during the period 1935–39 when the tariff rate on zinc blocks, pigs, and slabs was 1¾ cents per pound, zinc imports averaged slightly over 33,000 tons per year. During 1956, when the tariff rate on these items stood at only three-fourths of 1 cent per pound, zinc imports set a new record of over 730,000 tons.

During the years prior to World War II, lead imports averaged some 48,000 tons per year with a tariff of 2⅛ cents per pound in effect on lead bullion, pigs, etc. With the tariff reduced 50 percent in 1951 to 1$\frac{1}{16}$ cents per pound, lead imports set a new record in 1956 of over 600,000 tons.

In May 1954, after extensive investigation and hearings, the United States Tariff Commission confirmed this seeming cause-and-effect relationship. It reported to the President:

1. That, as a result in part of the customs treatment reflecting concessions granted thereon in the general agreement on tariffs and trade, the articles described in paragraphs 391 and 392 of the Tariff Act of 1930—except Babbitt metal, solder, lead in sheets, pipe, shot, glaziers' lead, and lead wire—are being imported into the United States in such increased quantities, both actual and relative to domestic production, as to cause serious injury to the domestic industry producing like or directly competitive products;

2. That, as a result in part of the customs treatment reflecting the concessions granted thereon in the General Agreement on Tariffs and Trade, the articles described in paragraphs 393 and 394—except zinc dust and zinc in sheets—are being imported into the United States in such increased quantities, both actual and relative to domestic production, as to cause serious injury to the domestic industry producing like and directly competitive products.

As a result, the Tariff Commission recommended to the President that he impose the maximum permissible increases in the duties on lead and zinc under the Tariff Act of 1930, as amended.

As we know, that recommendation was not given concrete expression; instead it was directed that procurement be accelerated under the strategic stockpile and the barter program authorized by section 104 of the Agricultural Trade Development and Assistance Act of 1954.

While these alternative programs have proved to be helpful as stopgap measures, they have not been able to provide the basic assistance which the lead and zinc industry's economic growth, development, and survival require.

That such might be the case was recognized by the President in his letter of August 20, 1954, to the chairman of this committee announcing his decision with respect to the recommendations of the Tariff Commission.

In part, the President stated that—

if the course of action above outlined has not accomplished the objectives we seek—

then he would—

be prepared to consider even more far-reaching measures and to make recommendations to the Congress.

On June 4 of this year, specific recommendations for the more direct relief of the lead and zinc industry, in the form of excise taxes on imports, were made by the Secretary of the Interior.

They were included as part of the administration's "long-range minerals program" in view of the recent sharp decline of prices of these commodities and the further threat to the lead and zinc mining industries posed by the high level of imports of these commodities. (Long-Range Minerals Program, June 4, 1957, p. 19.)

There is no question that the lead-zinc industry is sick and facing ruin. The question that we face today is whether or not the proposed excise taxes on lead and zinc embodied in S. 2376 will do the job which restoration of the industry's health requires. Answering this question will be a major task for this committee.

I call attention to the fact that the administration has recognized the peril point of 17 cents on lead and 14½ cents on zinc, and I would like also to call the committee's attention at this point to statements by 2 of our mining companies in Utah which are heavy producers of lead and zinc. One of them, the New Park Mining Co., which is within about 5 miles of where I was born—I know the territory very well indeed.

My father used to be a miner. He worked in the mines for many years in that area. This is what they say; just one conclusion:

Following the incorporation as New Park in 1932, it took 8 years to finance and develop the Mayflower mine as an active producing property, and 1940 was the first year of operation at a profit. Since that time the company has operated continuously at a profit, through 1955, paying over $2 million in dividends to our stockholders. This past year of 1956 we lost $113,840.

That indicates what is happening under the reduced prices we have now of 10 on zinc and 14 on lead. The other is a statement made by Mr. Droubay, general manager of the United Park City mines, which is located in the Park City mining district of Utah. He makes this conclusion:

Therefore, with average grade of production and crediting payment for gold and silver to operating costs, it would roughly take a 1-cent increase in lead price and a 2-cent increase in zinc price to afford a break-even operation and show a very slight profit. This would have meant a 17-cent lead price and a 15½-cent zinc price.

These prices are needed in order to show a slight profit, but, since actual prices are below these, they show that they have had a deficit.

Because of shortness of time, I shall not review the provisions of the bill itself. Other competent witnesses, representing both the lead and zinc industry—such as Mike Romney, of the Utah Mining Association, who is here today and who will be one of the witnesses, and who is, incidentally, one of our best informed men in the West on mining problems. He has been in this activity for many, many years, not particularly as an operator himself but has been a mining engineer and a student of these problems and is now the executive secretary of the Utah Mining Association. He can assist this committee, I think, substantially in working out some of these problems. As a representative of the State which has suffered serious economic setbacks during the 10-year lead-zinc crises, I have confidence that this committee and your counterparts in the House will report out a remedial measure that will be acceptable and that will save a vital domestic industry that is just about ready to "throw in the sponge."

Mr. Chairman, as I mentioned at the beginning, I have several other committee meetings this morning. I would at least like to be there for a few moments on some very vital matters. I understand that there is a possibility of the hearing going beyond this today and probably tomorrow, and if there is anyone who would like to ask me any questions I would like to appear at that time if I could be excused now.

The CHAIRMAN. Thank you very much, Senator Watkins.

The Senator from Nevada, Senator Bible.

STATEMENT OF HON. ALAN BIBLE, UNITED STATES SENATOR FROM THE STATE OF NEVADA

Senator BIBLE. Mr. Chairman, I very much appreciate the opportunity of appearing before this committee. I would ask leave to file a formal prepared statement. I note that you have a long list of witnesses, and I don't want to trespass upon their time.

The CHAIRMAN. Without objection your prepared statement will be inserted in the record when received from you.

(The statement follows:)

STATEMENT BY ALAN BIBLE, UNITED STATES SENATOR FROM NEVADA, ON SENATE BILL 2376

Mr. Chairman, members of the committee. It is indeed a pleasure for me to appear before this committee today on a problem I feel most vital to our Nation. As you know, I come from a mining State and I am interested in the welfare of the mining industry as it affects my State. I am, however, interested in the passage of Senate bill 2376 because I feel the entire future of the mining industry is at stake.

For some time now this country has been flooded with ore produced in foreign countries with low-paid labor. Our mines working under the conditions they do today cannot compete with this cheap ore. The administration's policies in the past have been to help finance the production of this ore and give no protection to our domestic producers. As a result our domestic mines are being put out of business daily.

The situation is serious. A mine is not to be compared with a retail store that can be opened by merely putting an "open for business" sign on the front door. Once a mine is closed it is generally closed for a long time. A closed mine is a dead mine and one that cannot be revived overnight.

Let's not let the lead-zinc industry of our country suffer as has the tungsten industry. Because Congress did not think it necessary or appropriate to provide moneys for the continuation of the tungsten purchase program, the tungsten industry as far as my State, Nevada, and as far as the entire Nation is concerned, is dead and practically buried. All of the small tungsten mines of my State have closed and the larger mines have curtailed their operations to such an extent they may as well be closed. I am afraid that if this legislation before you is not passed this session the same thing will happen to the lead and zinc mines throughout the country.

The lead-zinc industry is one of the most essential metal-mining industries we have. In times of peace the industry provides many products necessary in our daily life. In times of war the need of these metals is vital to our well-being and defense efforts.

In the event of a war one of the first things the enemy would attempt to do would be to cut our supply lines and destroy our production facilities. One of the enemy's early aims would be to sabotage if possible, the sources of lead and zinc. I know and you know that any attempt at direct sabotage would be met with resistance by all the forces available to our command. The success and failure of our war effort would depend in a great part in keeping these mines open.

The policy of the administration and the State Department in helping foreign mines to produce and flood our country with cheap metals and ores in direct competition with our domestic producers, has done a job of sabotage on our mining industry that could never be accomplished by an enemy power. I think it is high time that the Congress do more than to recognize the plight of the mining industry. It is time that definite affirmative steps be taken to at least stop further damage to an already sick and weakened segment of our economy.

The long-range mineral plan presented by the Department of Interior with the approval and sanction of the administration is the basis of the bill you are considering today. To say that the long-range plan as presented is satisfactory would be in error. I think it is almost unanimously agreed by those who have an interest in the future of mining that it is inadequate in many respects. The plan was not a plan for the entire industry and in no way could it be called a cure-all. It considered only the welfare of the lead-zinc industry and did not take into consideration the protection of the producers of other strategic and critical minerals and metals so necessary to our economy.

The plan did, and this is a point I want to emphasize, take the first step in a long time in the right direction. It has long been agreed by industry and Government experts that the only workable long-range plan must embody some method to protect domestic industry from foreign producers. Whether the method to be used be import quotas, tariffs or a form of import taxes, was immaterial as long as it provided the needed protection.

The plan as presented by the Department of the Interior, with the consent of the administration, recommended that certain excise taxes be placed on the importation of lead and zinc. At the hearings of the Senate Interior and Insular Affairs Committee, at which the plan was presented on June 4 of this year, Secretary Seaton was asked, and I quote from the hearings:

"Senator KUCHEL. Coming back to the recommendation for an increase of duties on lead and zinc imports, do I understand that that is purely an administrative matter in which the State Department fully concurs?

"Secretary SEATON. It will require some legislation, Senator, if I understand it.

"Senator KUCHEL. It will?

"Secretary SEATON. Yes. In answer to the second part of your question, yes, the State Department concurs. We have complete administration support for everything we have presented here today."

At another point in the hearings Secretary Seaton said: and I quote again, from the hearings: "This program which we have presented to you this morning in outline has the complete backing of the entire administration. We have managed to succeed to get all interested departments of Government in concurrence with what we are offering here today."

Senator MURRAY (chairman): "I assume then that the State Department was consulted and participated?

"Secretary SEATON. All of the interested departments of Government, Mr. Chairman, were consulted and participated in the deliberations.

"The CHAIRMAN. At what level was the State Department consulted?

"Secretary SEATON. At what level?

"The CHAIRMAN. The Secretary of State himself?

"Secretary SEATON. Yes sir; and numerous assistants.

"The CHAIRMAN. And his assistants who were interested and had knowledge of these questions?

"Secretary SEATON. Yes, sir."

Gentlemen, I don't have to tell you that this is the first time in many lean years that the State Department has conceded that our domestic mining industry, one of the most important segments of our economy, not only might need but deserves a little consideration over foreign producers. This, I feel, is a real step forward and one that might prove to be the turning point in curing the ills that have weakened this vital industry for so long.

One thing should be pointed out. While the consumption of lead and zinc in the United States has nearly doubled in the last decade, the production from United States mines has dropped proportionately and the importation from foreign sources has increased by tremendous tonnages.

Prior to World War II, zinc consumption averaged less than 500,000 tons. Consumption in 1956 is estimated by the Bureau of Mines at 988,000 tons. More than 40 percent of zinc consumed is used in galvanizing steel products and a like amount is consumed in die castings which are so important to the automobile and other durable-goods industries.

Consumption of lead in the United States has grown in a like manner. From an annual average of 612,000 tons in the late thirties the use of lead has increased to 1,250,000 tons.

From 1946 to 1955, the world production of lead increased 45 percent while domestic production increased only 10 percent. At the present time foreign producers are shipping 28 percent more lead into this country than the total production of the United States producers.

During the same period, the world production of zinc has increased 56 percent while United States production has declined 15 percent. At the present time imports of zinc are 43 percent in excess of the total United States production. The production from domestic sources has not dropped because of the lack of ore bodies or because of a lack of market. It has dropped because domestic mines cannot compete with ores produced by low-paid foreign labor under conditions we would not allow to exist in the United States.

A number of charts have been prepared which show comparative figures of United States production and foreign imports. I do not want to take the time to read them now, but would like them to be considered part of this statement.

Gentlement, I know there are many members of industry and other persons who desire to testify on this important matter. I consider this legislation among the most important to be considered by Congress this session, and I strongly urge that it be given priority consideration. Unless this measure is approved this session I am afraid that it will be too late to do much good. A few months' delay at this time will bring the industry to such a state that it will take years to recover at the expense of millions of dollars. I urge you to act now.

Imports versus United States mine production

LEAD—SHORT TONS

Year	United States production (mine)	Imports: Ores concentrates	Imports: Metal	Imports: Total	Imports: Over	Imports: Under
					Percent	*Percent*
1950	430,827	76,520	445,276	521,796	28	
1951	388,164	67,484	181,313	248,797		36
1952	390,162	104,661	511,109	615,770	57	
1953	342,644	160,899	385,940	546,839	59	
1954	325,419	161,261	276,327	437,588	34	
1955	338,025	177,479	264,149	441,628	30	
1956	348,329	196,515	262,038	458,553	28	

ZINC—SHORT TONS

Year	United States production (mine)	Imports: Ores concentrates	Imports: Metal	Imports: Total	Imports: Over	Imports: Under
1950	623,375	258,573	155,974	434,547		70
1951	681,189	302,777	88,043	390,820		57
1952	666,001	449,636	115,705	565,341		85
1953	547,430	513,724	234,576	748,200	36	
1954	473,471	455,427	156,858	612,285	29	
1955	514,671	478,044	195,696	673,740	30	
1956	537,643	525,798	244,977	770,775	43	

NOTE.—Percentages are based on each separate year's production and imports for the same year, not on any 1 year, e. g., 1950 shows United States mine production of lead at 430,827 tons, total imports 521,796 tons; these figures show that imports exceeded domestic production by 28 percent. Each succeeding year is computed in the same manner, covering both lead and zinc.
Source: U. S. Bureau of Mines.

Zinc imports of the United States based on reports of American Bureau of Metal Statistics from the records of the Bureau of Census (American Metal Market), May 23, 1957

[Short tons]

	1956, January-March	1957: February	1957: March	1957, January-December (estimated)
ZINC ORE—CONTENT				
Canada	41,861	10,810	11,329	124,472
Mexico	46,964	17,178	15,302	196,428
Peru	34,039	10,770	12,698	134,188
Other countries	18,529	2,556	2,967	58,108
Total	141,391	41,314	42,296	513,196
ZINC—BLOCKS, PIGS, ETC.				
Canada	25,765	12,287	8,290	121,196
Mexico	4,069	2,218	390	24,816
Other countries	18,231	9,782	14,079	152,152
Total	48,065	24,287	22,761	298,164
Grand total	189,456	65,601	65,057	811,360

World production (short tons)

	World	Up (over 1946-50)	United States
LEAD			
1946-50 (average)	1,520,000		432,040
1951	1,780,000	260,000	411,628
1952	1,950,000	430,000	472,450
1953	2,020,000	500,000	467,723
1954	2,150,000	650,000	486,624
1955	2,180,000 (Up 45 percent)	680,000	478,995 (Up 10 percent)
ZINC			
1946-50 (average)	2,050,000		611,790
1951	2,600,000	550,000	681,189
1952	2,870,000	870,000	666,001
1953	2,980,000	930,000	547,430
1954	2,960,000	910,000	473,471
1955	3,200,000 (Up 56 percent)	1,150,000	514,671 (Off 15 percent)

NOTE.—Above chart shows clearly the rate of increase in the world production of lead and zinc, lead production increasing 45 percent and zinc production 56 percent. United States production during the same period shows the production of lead increasing only 10 percent while the production of zinc dropped 15 percent.

Source: Mineral Trade Notes, U. S. Department of Interior, Bureau of Mines, vol. 43, No. 3, September 1956.

Principal lead-zinc producing States and United States annual production, 1955–56

ZINC—SHORT TONS

	1955	1956		1955	1956
Montana	68,568	71,865	New Mexico	15,277	35,200
New York	53,016	58,589	Oklahoma	41,543	29,900
Idaho	53,314	46,483			
Tennessee	40,216	45,188	United States total	514,671	537,643
Colorado	35,350	41,000	Daily average	1,410	1,469
Utah	43,556	40,600			

LEAD—SHORT TONS

	1955	1956		1955	1956
Missouri	125,412	122,000	Oklahoma	14,126	12,800
Idaho	64,163	62,699			
Utah	50,452	47,900	United States total	338,025	348,329
Colorado	15,805	20,500	Daily average	926	952
Montana	17,028	18,619			

NOTE.—Above chart shows the principal lead-zinc producing States, also the total United States annual production for the years 1955 and 1956 with the daily averages.

Lead, 1955

[Tons]

Country	Mine production	Exports (including secondary) to United States	Exports to United States as a percent of mine production
Canada	201,583	67,543	33.5
Guatemala	5,084	5,208	102.4
Honduras	1,961	2,757	140.5
Mexico	232,383	95,570	41.1
Bolivia	21,070	13,812	65.6
Chile	3,400	409	12.0
Peru	130,900	68,732	52.5
Philippines	2,555	2,635	103.1
Union of South Africa	564	41,575	------
Australia	328,219	85,468	26.0
Belgium-Luxembourg	------	231	------
Germany	74,334	496	.7
Spain	68,994	18,649	15.4
Yugoslavia	99,297	35,659	35.9
French Morroco	98,100	7,800	7.9
Other	------	3,084	------

NOTE.—Above chart shows the mine production of lead in the countries listed but, most important, is the column showing the percentage of production exported to the United States.

Zinc, 1955

[Tons]

Country	Mine production	Exports to United States	Exports to United States as a percent of mine production
Canada	428,474	286,559	66.9
Guatamala	10,400	8,353	80.3
Honduras	1,433	1,433	100.0
Mexico	296,961	205,941	69.3
Bolivia	23,509	1,792	7.6
Chile	3,200	4,858	151.6
Peru	183,074	83,915	45.8
Belgium-Luxembourg	------	19,294	------
Germany	101,558	6,642	6.5
Italy	131,891	6,190	4.7
Netherlands	------	1,079	------
Norway	7,193	504	7.0
United Kingdom	3,167	1,576	49.8
Philippines	------	465	------
Belgian Congo	74,700	15,228	20.4
Rhodesia-Nyasaland	38,070	3,834	10.1
French Morocco	48,083	1,264	2.6
Union of South Africa	------	5,050	------
Australia	287,352	9,663	3.4
French Pacific islands	------	9,630	------
Others	------	3,856	------

NOTE.—Above chart shows the mine production of zinc in the countries listed but, most important, is the column showing the percentage of production exported to the United States.

Senator BIBLE. I do want to make just 2 or 3 observations and take just a very short time.

First, I would like to comment that, in my own State of Nevada, the lead-zinc industry is really sick and practically on its deathbed, as my senatorial colleague, who is a distinguished member of this committee, would well verify.

We have three general areas of lead-zinc in our State: The Eureka mining district, the Elko mining district, and the Pioche mining district. Each of those areas have been very critically hurt and damaged almost to the point of going out of business by this very recent sharp reduction in the price of both zinc and lead prices. For that reason I cannot emphasize too much the great need of urgency in this problem.

The pending legislation before the United States Senate is of great importance. It has been pointed out that there is a great amount of pending legislation. The Niagara bill, the TVA bill, the bill to prescribe the opening of the FBI files in the Judiciary, are all important bills. However, I don't think there is any more important bill that could come before this session of the Congress than this particular bill for the relief of the mining industry. And I want to compliment you, Mr. Chairman, and the members of your committee, for permitting us to appear now and to lay the groundwork for the proposed legislation.

We recognize that such matters properly originate in the House, but time is of the essence if we are to come to any realistic assistance and help for the lead-zinc people immediately. Tomorrow is too late. We have exactly the same problem in the tungsten mining industry. That, today, isn't dying; it is dead, and practically buried.

The Congress did not see fit to give some stopgap relief for the purpose of permitting this particular segment of the mining industry to move into a healthier climate and into a competitive condition, and, as a result, mine after mine in our State is closed—the Tempiute, the Getchell mines, and so forth. Therefore, I beg you to give this problem your earnest and quickest possible consideration so that more will not follow in the steps of the tungsten mining industry.

The bill before you, the one submitted to the Interior Committee, of which I have the honor to be a member, is in my humble opinion a step in the right direction. I don't believe that it goes far enough, so far as relief to the mining industry is concerned, but at least it does move along the right direction. The Secretary made it very clear, under questioning by various members of the Interior Committee that this did have the blessing of the administration and the blessing of the State Department; and that in itself marks a real milestone toward solving this problem. I, again, Mr. Chairman, want to thank you for the privilege of being here.

I have submitted a long prepared statement that I am not going to burden you with at this time. The point I do want to emphasize is from the standpoint of urgency, of some action being taken at this session.

Coming back in January annd February will be too late, because a closed mine under almost any normal conditions is a dead mine because of the tremendous cost of dewatering, the cost of building shafts and tunnels, and problems of that kind. This represents an important segment of our industry. I am advised that in May of this year there were some 17,300 men employed in the lead-zinc mines of the various States, and that is only the actual figure of those directly employed, and does not take into consideration the smelters, the refiners, the allied industries that are so dependent upon lead and zinc, as well as other segments of the mining industry.

Senator Mansfield commented on copper. I realize that isn't before you, but I think the danger signals are up and that likewise we must do something there if we are to keep a healthy domestic mining industry.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator MALONE. Yes. Senator, I am glad to see you before this committee. You have been one of the main spearheads working in this Interior and Insular Affairs Committee, where some of the work is very closely related. What you are doing today, you are pleading for the survival of an American industry.

Senator BIBLE. That's correct.

Senator MALONE. I join with you that this is an important step that the White House, the administration has taken. The important step is the recognition, the first recognition we have had that there is a difference in the wage standard of living and the taxes and the cost of doing here and in the chief competing nation on each of the American products, not only minerals, and that there must be some recognition of that difference. That is the real breakthrough; isn't it?

Senator BIBLE. That's correct. The real cause of the difficulty, I take it, iis tremendous importation of cheap lead and zinc from foreign fields, and that comes about very largely because of the differences in the labor market.

Senator MALONE. I might read from a report here of the 1954 summation report, digest of the hearings of the Interior and Insular Affairs Committee. That report was published July 2, 1954, by the Senate under Senate Resolution 143, and in that report on page 287 it says—it say many other things but this is one of the pertinent things at this hearing:

> The Economic Cooperation Administration and Mutual Security Agency furnished European nations with funds to purchase these materials. In fact, during the period April 3, 1948, through June 30, 1951, this country furnished \$360.9 million to purchase copper, \$81.7 million to purchase zinc, and \$58.3 million to purchase lead. These purchases were made by other governments at prices greatly in excess of the domestic ceiling price.

There was a ceiling price put on those minerals here which stopped domestic production very effectively. [Reading:]

> When the emergency abated it was testified this material was dumped on our markets, further aggravating the difficulties of domestic producers.

The Senator will remember when they broke the prices down to 10 or 11 cents. We did produce about two-thirds of our consumption of lead and zinc when we were running on normal production with the duty or tariff as it was in 1933 or 1934 before the change; did we not?

Senator BIBLE. I believe something in that neighborhood. I don't have the exact figure in mind.

Senator MALONE. Report, Long-Range Minerals Program, part 1, June 1957, the hearings before the Interior and Insular Affairs Committee, where the Secretary appeared, shows that the 1930 rate on ore concentrate was 1.5 cents a pound. The effective rate at this time was six-tenths of a cent a pound and the ad valorem equivalent is 12.3 percent. It goes on to describe in detail, which we will not bother with now, but the facts are that when the 1934 Trade Agreements Act was passed giving the administration the right to cut the tariffs 50 percent, they were then cut 50 percent. That's right; isn't it?

Senator BIBLE. Correct.

Senator MALONE. Then they were later given 50 percent, which would make a total of 75 percent. Now, up to 1957, without going into detail, in Geneva, 34 nations are now busily engaged in further reductions of the tariffs or duties through multilateral trade agreements by the authority of the Congress itself, which extended the act in 1955 for 3 years, and it now expires in June 1958. That is true; isn't it?

Senator BIBLE. That's correct.

Senator MALONE. Now there is a well-documented—I won't say documented but a well-supported—rumor that in October of this year all of these tariffs will be further reduced, not all of them perhaps but a very great number, and it is in the mill in Geneva, and no businessman, no producer, no workingman, no Senator or Congressman is allowed to go in and be a part of that hearing and know what is gong to be done before it is done. The Senator is aware of that fact.

Senator BIBLE. I had not heard the rumor. I think that is an unfortunate situation. I think Congress has surrendered too much of its authority in that field.

Senator MALONE. Congress never hears anything here about what is going on there until after it is done. Then we are furnished with a report. Now I want to conserve the time of the committee, too, and you and I sit on the same committee, Interior and Insular Affairs, but the record here I think should show many things which I hope are included in your written statement, and I myself intend to prepare one, too, for the committee.

Senator BIBLE. I appreciate your contribution, Senator Malone. Thank you very much, Mr. Chairman.

The CHAIRMAN. Yes. Senator Kerr.

Senator KERR. The fact is that the lead and zinc industry is not a dying industry itself insofar as the American market is concerned.

Senator BIBLE. I think that is true.

Senator KERR. I think the consumption has gone up.

Senator BIBLE. Each year the consumption increases.

Senator KERR. Yes, sir.

Senator BIBLE. Yes; and I have those figures in my prepared statement. It has doubled over the last 10 years.

Senator KERR. It is just a situation where we have a growing industry, but where our own Government is either permitting the destruction or actually destroying the domestic segment of that industry.

Senator BIBLE. I couldn't agree with you more. The domestic segment is certainly going out of business.

Senator KERR. And our own Government is maintaining a situation which is causing the galloping strangulation and bleeding to death of our part of the industry and continuing to pump transfusions of life into the foreign production industry, and that transfusion that continues to be pumped into the veins of the foreign production elements of the industry is the increasing demand and consumption in this domestic market, the benefit of which is being channeled more and more to the benefit of foreign production, foreign labor, the tax income of foreign governments, and the development of communities and economies in foreign areas.

Senator BIBLE. I think that is absolutely correct. Just in line, Senator Kerr, if I might, with what you are saying, the consumption of zinc prior to World War II averages less than 500,000 tons per year. In 1956, the Bureau of Mines estimates it was 988,000 tons, which is doubling the use of zinc in that period of time, and likewise the consumption of lead grew from 612,000 tons in the late thirties to 1,250,000 tons now, which is 2 to 1.

Senator KERR. One million?

Senator BIBLE. Yes; correct—tons. I have the information furnished me as 1,250,000 tons.

Senator KERR. Yes; 1,250,000. That's correct. Then the previous was——

Senator BIBLE. 612,000. It has doubled in each instance.

Senator KERR. I just did a little calculation here on the figures Senator Watkins gave of the importation of 730,000 tons of zinc at 10 cents a pound—amounts to $168 million worth of zinc, and the importation of 600,000 tons of lead at 14 cents a pound is $147 million worth of lead, or $315 million of imported metals, lead and zinc, produced entirely by foreign labor.

Senator BIBLE. That's correct.

Senator KERR. Taxes on the profit of which are paid entirely to foreign governments, the mining camps and local communities benefiting by that development and operation being entirely in foreign areas, all to the penalization and actually the strangulation of local communities and local domestic producers and to the development of unemployment in local areas.

Senator BIBLE. The Senator is absolutely correct. I might just observe, and then close, that I was shocked to find in the field of tungsten, though we have Public Law 733, which I thought was at least a moral obligation and a firm commitment of the United States Government to carry a program out to its conclusion, the Congress, through its Appropriations Committees, thought otherwise, and the program terminated. The significant thing to me was that as of January, the first of this year, there were outstanding legally enforcible contracts for the purchase of foreign tungsten in the sum of $62 million. We are perfectly willing to purchase and have these contracts enforced in the tungsten fields.

Senator KERR. And paid by American taxpayers?

Senator BIBLE. And paid by American taxpayers, absolutely at the same unit cost, I might say, somewhere between $54 and $57 a unit. It just doesn't make sense.

Senator MALONE. Could I ask just one other question? In the matter of subsidies that are bandied about very liberally when a case is made before the administration or in Geneva in order to get a concession to American labor, I have always said that you could not call it a subsidy when it was a set price or a duty or tariff that just made up the difference between the American labor cost and the taxes and cost of doing business here and in the chief competing foreign nation. Do you agree with that?

Senator BIBLE. Yes; I think, in general, that that is a fair statement.

Senator MALONE. Now if you had to produce it for national defense or something else and it cost more than the difference in the cost of the labor and the taxes and cost of doing business here and in the chief competing nation, then it would be a special consideration and could be logically called a subsidy?

Senator BIBLE. I think you would have a different problem; yes, sir.

Senator MALONE. Now the Senator is familiar with these things that are called peril point and escape clause in the 1934 Trade Agreements Act as extended. You have heard of those terms?

Senator BIBLE. Yes; in general.

Senator MALONE. They are called escape clauses, I suppose, because no one ever escapes. That is all up to the decision of our State Department, which is dealing almost entirely with foreign questions. The peril point is a very ineffective thing and rarely invoked, and means, of course, what the tariff should be at the moment, and would imperil the industry if it was lower than that particular amount. That is all you want, fair and reasonable competition. You don't try to keep anything out by a tariff. But as soon as that peril point is established and the agreement is made for 3 years, then through an adjustment, we call it a manipulation, of that nation's money, in terms of the dollar, they can nullify the peril point or any other adjustment that is made on a permanent basis. The Senator is entirely familiar with that procedure.

Senator BIBLE. That is correct.

Senator MALONE. Now we have four organizations that were disclosed in another hearing in this committee on the financial setup. They are the Export-Import Bank, the World Bank, and two others. The Export-Import Bank is entirely financed up to $5 billion by the American taxpayer, and the other 3 financed 35 percent and controlled by a foreign board of directors, to lend money to encourage foreign investments of American capital. The Senator is familiar with that procedure.

Well, it seems that there is a plan, would the Senator agree, to favor these foreign investments rather than the American investments, with the taxes, as so ably explained by the Senator from California.

Senator BIBLE. Well, I think there are many instances. The tungsten example is one instance.

Senator MALONE. Then I will ask this one final question, since time is also valuable here today. Why, then, if the Congress is not going to do any more in carrying through the 1953 Mineral Purchase Act, as extended in 1956, if they are going to leave out the tungsten, when it was shown that you can produce more tungsten than you can use in the United States if you just have either a tariff or a fixed price that makes up that difference that we have already explained; then why shouldn't tungsten be added to this bill?

Senator BIBLE. It certainly is a distressed industry as I described earlier. It is a dead industry. I think you have a real problem, however, as far as lead and zinc is concerned. As I said earlier, that is a step in the right direction though I don't think it goes as far as I personally would like.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Chairman, I would prefer to reserve my question for one of the industry witnesses.

The CHAIRMAN. Thank you very much, Senator Bible. The Chair recognizes the distinguished Senator from Colorado, Senator Allott.

STATEMENT OF HON. GORDON ALLOTT, UNITED STATES SENATOR FROM THE STATE OF COLORADO

Senator ALLOTT. Mr. Chairman, thank you very much. If it is agreeable to you, I would like to make just a few comments and then submit my statement.

I understand the time element that the committee is operating under. I would first like to read a wire addressed to me:

GORDON ALLOTT,
Senate Office Building, Washington:

Resurrection Mining Co. has given notice to Leadville Miners Union, No. 24564, of closing. This is caused by low lead and zinc price. About 150 of our members involved, many with years of seniority, making it impossible to obtain reemployment, especially in Leadville area. This will cause suffering and will mean loss to Leadville, Colo.

PETER J. DONOHER,
Secretary-Treasurer, Leadville Miners Union, No. 24–B,
Leadville, Colo.

The CHAIRMAN. And you desire your complete statement be put in the record?

Senator ALLOTT. I would like to ask that my complete statement be placed in the record. This is taken from the Leadville paper:

Notices were posted at the Resurrection Mining Co. operations on Wednesday evening notifying the employees that all mining and milling had been ordered discontinued because of the declining metal prices. The order to close was received by Superintendent Barney Greenlee from the New York office of the company. Barney tried to personally see all of the men before they went off shift on Wednesday evening.

The decision to close down operations had been feared when metals started their price decline several months ago. The decision to close will affect the jobs of 148 men now employed by the Resurrection Mining Co. The Resurrection has been mining under a joint working agreement with the American Smelting & Refining Co., whereby the two companies were partners for the working of their joint holdings through the Irene shaft and the Lelena shaft.

The development of the operations through these 2 shafts required nearly 5 years to ready them for maximum output. According to Mr. Greenlee the company was just now getting in a position to get out full production.

Greenlee had recommended to the New York office of the company that operations be continued for 18 months in the hope of a rise in metal prices. The Greenlee report showed that operations would be practical under present prices provided a price rise for metal was in sight after 18 months.

The joint decision of the Resurrection and American Smelting & Refining to discontinue operations is very discouraging to the metal-mining industry, since these large companies are in the most favored position to know what the prospects are for the future. The decision to close would indicate that the best advice available indicates no improvement in the metal market for several years.

The order to close means that all equipment will be removed from all operations and that the mill will be closed. Pumps will be pulled at the Helena but, for a time at least pumps will be operated at the Irene.

Several months will be required to close down the operation, and nearly 2 months will be required to complete the milling of ore on hand and to close the mill. There will be no immediate layoff of any of the men, and, according to Greenlee, the reduction in force will take place gradually, with men leaving to take other jobs not being replaced.

A crew of from 5 to 7 men will be required at the mine and mill when operations are completed.

I read that one thing, and I would like to comment on it briefly, to say that this is only one, a typical situation of our people, particularly of the West, of whom I speak—and I am acquainted with the situation in Colorado—who have invested very great sums in their mines, and now find themselves caught in a situation through imports, the influx of cheap metals, where they are going to be lost.

Aside from the damage, pain, and suffering it causes workers who are out of work, may I make this comment, which for some reason we in the West have so hard a time trying to envision and lay out for the people who live elsewhere, and that is that when you close a mine and take out the pumps, it isn't long before the timbers collapse, and that mine, which is one of the great economic and vital resources of this country, is lost.

Mines aren't just something you can go in. Somebody used the term of turning a tap here this morning. I don't agree with that. Mines aren't something you can just turn the tap on, because many of these mines, as with many of our mines in Colorado, will be lost unless we take steps to protect them at some reasonable level where they are available to us for production.

I think, Mr. Chairman, that is all I have to say at this time, in addition to my statement, but I do appreciate this opportunity of coming before you.

(The statement referred to is as follows:)

STATEMENT OF SENATOR GORDON ALLOTT ON IMPORT TAXES ON LEAD AND ZINC

Mr. Chairman, a critical situation has developed in the lead and zinc industries largely due to worldwide surpluses of these two metals. The administration, in recognition of this rapidly developing crisis, has taken various constructive steps to avert it. It has cooperated with industrial and worker groups in an effort to find a solution.

It is well recognized that the Eisenhower administration has attempted to encourage foreign markets and promote foreign trade. To stabilize the domestic market on lead and zinc, the administration has at various times stepped up the procurement of these metals for stockpiling purposes and has, on occasion, resorted to barter, exchanging perishable surplus agricultural products for nonperishable minerals for our national security and safety.

Secretary of the Interior Fred Seaton has pointed out only recently before the Senate Interior and Insular Affairs Committee, of which I am a member, the importance of the domestic minerals industries of the United States. These industries employ people in every State of the Union. According to the Department of Commerce, the extraction of minerals and their processing into salable products accounted for 7 percent of our national income. The administration believes that the Federal Government has a proper role to play in keeping this important group of American industries healthy and strong. I subscribe to this philosophy of government.

I have made a personal tour of many of the mining camps of Colorado, where mining is an all-important industry, and I have seen the gradual deterioration which has been taking place, largely due to the fact that foreign producers have been encroaching upon the American market and depriving American producers of their just share. I have advocated action at various times, and in my investigations I have found that, by and large, the mining industry prefers a sliding scale excise tax to any other solution. It is the only solution I know of that would not require tremendous Government expenditures.

I believe the Congress can, with administration approval, enact legislation with these objectives in view, prior to adjournment, and it is of the utmost importance that action be taken promptly.

The plan submitted by the administration would substitute for the present tariffs, applicable to lead and zinc items, sliding scale import excise taxes which would become effective when prices declined to levels that would threaten, and are threatening serious injury to domestic producers. The administration plan would suspend such excise taxes when prices return to and remain firm at levels sufficiently high to prevent economic distress to the domestic industries.

The proposed excise taxes applicable to each of the commodities would be imposed in three stages; namely:

1. For lead metal (as distinguished from ores, concentrates, and other forms of unmanufactured lead), if the average price during a 3-month period is:

17 cents or above, the excise tax would be suspended;
16 cents to 17 cents, the excise tax would be 1 cent;
15 cents to 16 cents, the excise tax would be 2 cents;
Below 15 cents, the excise tax would be 3 cents.

2. For zinc metal (as distinguished from ores, concentrates, and other forms of unmanufactured zinc), if the average price during a 3-month period is:

14½ cents or above, the excise tax would be suspended;
13½ cents to 14½ cents, the excise tax would be ½ cent;
12½ cents to 13½ cents, the excise tax would be 1½ cents;
Below 12½ cents, the excise tax would be 2 cents.

Under the administration plan, this application of the appropriate excise taxes would be made quarterly. Determination of the average prices for lead and zinc which would form a basis for the taxes to be imposed in any particular quarter would be made by the Tariff Commission at the end of the second month of the preceding quarter, based upon prices during the preceding 3 calendar months for common lead in the New York City market and for slab zinc in the East St. Louis, Ill., market.

This program of the administration, while most commendable and undoubtedly a step in the right direction, should be strengthened, I believe, in the following particulars: I propose that the import excise tax schedule be as follows:

	Price	Tax
(a) Pig lead	17 cents and over	None.
	16 cents and under 17 cents	3 cents.
	15 cents and under 16 cents	Additional 1 cent.
	14 cents and under 15 cents	Do.
(b) Slab zinc	14.5 cents and over	None.
	13.5 cents and under 14.5 cents	3 cents.
	12.5 cents and under 13.5 cents	Additional 1 cent.
	11.5 cents and under 12.5 cents	Do.
(c) Imported ores and concentrates be subject to the above schedule on the basis of the ratio (percentage-wise) between ores and concentrates versus metal as set forth in the administration's proposal.		

It would also be my suggestion to the committee that changes be made in the administration's proposal to shorten the period of "determination" to eliminate the timelag which might do irreparable damage unless its executive operation could be more or less immediate.

In advocating the above proposals, I believe that fair treatment is being extended to the foreign producer and the domestic producer alike. It is well recognized that the domestic producer has much higher costs. These costs exist in the form of higher wage scales; higher freight rates and various types of transportation costs; higher electric power bills; higher supply bills; more costly procedures, largely involved by the imposition of Government rules and regulations; and the benefits received by the workers in the United States are much better than those received abroad, thus necessitating deductions for these expenditures out of ore production. The American producer pays local and Federal taxes; he contributes to the welfare of the community; he is taxed to carry out not only local and national programs but foreign-aid programs, as well, and it has been said with utmost fairness that he has been taxed to helyp put himself out of business.

Colorado, as well as practically all of the Mountain States and a great many of the Eastern and Southern States, is vitally interested in the passage of this legislation. Colorado recently ranked third among the Western States in the production of zinc—some 41,000 short tons being produced, with a gross valuation of $8,696,100, and was also credited with the production of 20,500 tons of lead, placing second among the Western States in the production of this metal, with production valued at $5 million. Other metals were produced with the lead and zinc, giving a grand total of $22,240,009.

To emphasize the necessity of immediate action and show the critical condition which has evolved, may I direct the committee's attention to the fact that the Keystone mining and milling operations in Gunnison County have been closed down; the large mill in Silverton was closed, and the Pride of the West, the only remaining mill, is threatening closure. The Rico-Argentine Mining Co., in Dolores County, can give no assurance of continuing operations, and the Camp Bird, Ltd., of Ouray County, has discontinued its negotiations pending the outcome of the proposed legislation. The King Lease, Inc., of Gunnison County, has folded, and the Callahan Lead & Zinc Co., with a large Government loan, was forced to close some time ago. The New Jersey Zinc operations in Eagle County will be forced to close unless something is done. Similar conditions exist in the other counties, such as Clear Creek, Gilpin, Summit, and Mineral.

The following story, taken from the July 8, 1957, edition of the Leadville (Colo.) Herald Democrat, tells the story of the closing of the Resurrection mine. In unemotional terms it tells the story of the problems of our mining industry elsewhere, too. Between its lines is a story, not only of falling prices and foreign competition, but of human problems and human hardships resulting from the present commercial situation:

"Resurrection To Close Its Mining Operation

"Notices were posted at the Resurrection Mining Co. operations on Wednesday evening notifying the employees that all mining and milling had been ordered discontinued because of the declining metal prices. The order to close was received by Superintendent Barney Greenlee from the New York office of the company. Barney tried to personally see all of the men before they went off shift on Wednesday evening.

"The decision to close down operations had been feared when metals started their price decline several months ago. The decision to close will affect the jobs of 147 men now employed by the Resurrection Mining Co. The Resurrection has been mining under a joint working agreement with the American Smelting & Refining Co., whereby the two companies were partners for the working of their joint holdings through the Irene shaft and the Helena shaft. The development of the operations through these 2 shafts required nearly 5 years to ready them for maximum output. According to Mr. Greenlee the company was just now getting in a position to get out full production. Greenlee had recommended to the New York office of the company that operations be continued for 18 months in the hope of a rise in metal prices. The Greenlee report showed that operations would be practical under present prices, provided a price rise for metal was in sight after 18 months.

"The joint decision of the Ressurection and American Smelting & Refining to discontinue operations is very discouraging to the metal mining industry, since these large companies are in the most favored position to know what the prospects are for the future. The decision to close would indicate that the best advice available indicates no improvement in the metal market for several years.

"The order to close means that all equipment will be removed from all operations and that the mill will be closed. Pumps will be pulled at the Helena, but for a time at least pumps will be operated at the Irene.

"Several months will be required to close down the operation and nearly 2 months will be required to complete the milling of ore on hand and to close the mill. There will be no immediate layoff of any of the men, and, according to Greenlee, the reduction in force will take place gradually, with men leaving to take other jobs not being replaced.

"A crew of from 5 to 7 men will be required at the mine and mill when operations are completed."

Of course, that story is not limited to Leadville, Colo. The problem is the same in countless little mining towns throughout this country. It is the same in Silverton, Colo., from whose chamber of commerce I recently received this telegram:

"Recent drop in lead-zinc prices threatens to close every mine and mill in this area. Major plants were closed when decline started. This industry is lifeblood of Silverton-Ouray-Telluride district. Silverton Chamber of Commerce endorses any sound policy to stabilize domestic mined lead and zinc. With no relief we are doomed."

This tragic situation has been increased since May of this year, zinc prices having fallen about 25 percent, from 13½ cents to 10 cents and lead prices having dropped 2 cents pound. The passage of this legislation will prevent economic loss and safeguard destruction of mines in line with true conservation of our Nation's mineral resources—true conservation meaning, of course, the wise use of our natural resources.

It is essential for use to have an efficient, strong, and vigorous domestic mining industry if we are to continue a healthy and expanding economy. We can ill afford the damaging consequences to defense and to our expanding economy resulting from the destructive effects of closing down our base metal mines, through inability to operate under preesnt price and cost conditions. Such shutdowns will result not only in the loss of irreplaceable material resources but the human skills of American workmen as well.

Like others, I believe in expansion of foreign trade, and I am totally aware of the importance of reducing trade restrictions. But I believe that it would be wise to urge the foreign producer of metal who wants to sell his metal on the American market to do so at the American cost of production. If he does this, under the plan submitted here for your consideration, no tariff barriers would prevent him from doing so.

In conclusion, I wish to point out again that the present administration and the present Secretary of the Interior are the only ones in recent decades who have come forth with a recommendation of a strong program to encourage the domestic mining industry with recommenadtions for the passage of legislation being submitted to the Congress. I wish to commend the administration for this constructive effort, and to strengthen these recommendations by suggested modest additions. The industry deserves and should receive immediate attention by the Congress in the passage of legislation which will give the domestic miner some assurance of price stability. Even if foreign producers continue to flood the American market with the products of their mines, the American miner will be given his share of the domestic market under the program which I advocate.

Such a program is not stopgap legislation; it is sound legislation which has received the test of legislative and industrial inquiry over a period of years; it is a program on which both Government and industry can agree and which is shared with equal enthusiasm by the workers in the mines of the Nation. Truly, this program involves the elements of long-term planning, and I cannot too strongly urge its adoption.

I thank you for the privilege extended me of appearing before the committee.

The CHAIRMAN. I submit for the record a statement received from Representative Wayne N. Aspinall in support of S. 2376.

(The statement follows:)

STATEMENT OF HON. WAYNE N. ASPINALL, MEMBER OF CONGRESS, FOURTH DISTRICT OF COLORADO

Mr. Chairman, I wish to urge with every facility at my command the passage of this legislation to provide for an import fee on lead and zinc to prevent a ruinous price decline. I urge passage, not because this is a complete answer, not because this is the only answer, but rather because stabilization is essential to the lead and zinc industry, and this apparently is the only avenue of hope that is open. It will have value, however, only if the speed of action is equal to the need. If we wait until next year the subject of lead and zinc mining will be academic in western Colorado—the great mineralized area of Colorado I have the honor to represent—because the industry will be shut down.

Let me emphasize that we are not now talking about marginal mines. These closed in previous disasters. This is made clear in a telegram which I received in mid-June of this year from the chamber of commerce of one of the West's most colorful mining areas, Silverton, Colo.: "Recent drop in lead-zinc prices threatens to close every mine and mill in this area. Major plants closed when decline started. This industry is lifeblood of Silverton, Ouray, Telluride district. Silverton Chamber of Commerce endorses any sound policy to stabilize domestic mined lead and zinc. With no relief, we are doomed." Simply stated, it just says that those more productive mines which somehow survived through recent years of stress and strain are now being chopped down, not because they are marginal, but rather because of a flood of imports, all out of proportion to need or normalcy.

I think that those who engineered the acceptance of this import fee system within the administration are to be highly congratulated. We who have been active in this field can testify that any interest by any administration is a major step forward. Perhaps I should say "any interest by the executive branch," because I would not wish for a moment to indicate anything political in such statement. This proposed import fee, which is backed by the various departments of the executive department, is of such importance that the legislative arm should move with all possible haste to enact it into law. If the idea was sound enough to be accepted by those who have rejected all other proposals, we have no need to worry about its soundness.

Let me briefly give to you the situation in western Colorado as it has been supplied to me by producers, news agencies, and the Colorado Mining Association. I will leave more detailed information to the industry and industry representatives. As I suggested, the marginal producers were eliminated long ago. Now we have such closures as the famous Leadville area, where the Resurrection Mining Co. has reached the end of its rope. In the equally famous San Juan mining region, the Shenandoah Dives mill is down. The only remaining mill in that area will soon close unless immediate relief is granted. If it closes, the little producers will have to go with it.

The long established operation of the New Jersey Zink Co., at Gilman, Colo., where some 550 men are employed, is operating at a loss, which will sooner or later force closure unless favorable action is in prospect. This operation is recognized as one of our lowest cost and most efficient producers. If Gilman has to shut down, then the end is surely at hand for the lead and zinc industry in Colorado.

In the Gunnison area, an area hard hit by closures in years gone by, the Keystone unit of the American Smelting & Refining Co. is closed down, as well as the mill. The other principal operation, Callahan Lead & Zinc, is also down, and this will preclude repayment of a Government loan.

It is obvious that these are not fly-by-night operations. These are well-recognized companies—well-recognized mineralized areas. Mining has been carried on in these areas for many, many years, and adequate reserves exist for further operations if only some reasonable price level were in prospect.

That word, "reasonable," is the last notch we need to file into the key that will unlock this dilemma. In this field, we do not need to think we are sustaining marginal production. Neither do we need to think we are sustaining uneconomic producers. These producers, by their survival up until this late time through years of boom and bust, have established their efficiency and the feasibility of their operations. They have the workers, the skill, the capital, and the will; all they need is a fair shake.

We know that we must import a percentage of our lead and zinc requirements. We make no argument that we should not do so—but neither should we allow the closure of our last domestic production of these vital and necessary products. If we allow these operations to close, after their heroic efforts, then the ruined and flooded shafts will remain to haunt us when the price for these products begins another implacable upward march—as it must when the present temporary surge of excess production and import burden is gone.

This proposal is a self-regulating governor or balance on the engine of production. It is modest in amount, yet its value to the domestic industry is of almost monumental proportion by comparison. Its international impact will be small since we must, as I indicated, import. This fee attaches to such imports only when the price is excessively low and acts on price and not on the long-term volume of necessary imports.

Thus, this legislation proposes a minimum floor on the price of lead and zinc. It does not, and cannot, guarantee any producer a profit. It does not artificially increase price. As a matter of fact, it will still leave lead and zinc prices at bargain rates. On a price-index basis, copper is at 177 of the 1947–49 price, nonferrous metals generally at 143, but lead recently was only 94 and zinc a shade better at 101. This fee will swing in only when some temporary condition drives the market price below that listed in the bill. Its value then, is that it irons out the bottom swing on prices and insures that a surge of imports from foreign production will not close every domestic producer. At the rates proposed in this bill, life will still be tough for domestic producers, but it will give them a chance to compete with lower-cost producers overseas.

Some may still see this as a boon to long harassed domestic producers, but it is just commonsense. If a trend line of demand and supply is calculated, it is safe to predict that a price as low as the present price will not be maintained in the long run. If we lock in our remaining domestic producers now, we will have them later to help hold down the price. We cannot expect them to survive, however, with increasing material and labor cost unless we insure some balance between such increases, including taxes and price.

Let me reemphasize in conclusion that the marginal mines are long since gone. We are now holding the fate of our most efficient producers and time is fleeting. Past governmental programs are running out. We tried to prevent this present minerals depression by preserving the premium-price plan. That failing, we tried other programs, including tariff proposals, direct purchase, and barter. The industry tried to find relief through the congressionally sponsored escape clause of the Trade Agreements Act, and got such a recommendation from the Tariff Commission, but it was not accepted by the administration at that time. It was during that blast that the biggest wave of closings occurred.

I have given you a listing of the efficient producers which have closed just recently, or are about to close, in western Colorado. Without promise of relief, and very soon, those now struggling to survive will come to the end of the road. These may be small operations by some standards, but as the most recent wire I have from the Silverton Chamber of Commerce indicates, "In this (the great San Juan) mining district of Colorado, 5,000 people depend on mining for a livelihood." This is all the industry the area area covering Silverton, Ouray, and Telluride, in a great triangle has, except for tourists, and we have ghost towns enough for that already. I urge you to approve this proposed import fee while there is an industry left to save.

Senator MALONE. I would like to ask the Senator a question.

Senator, I think you have made a very good statement, and you have been here in the Senate a while now, and you can see how these things are operating, but I would like to read this to you.

First, you are familiar with the fact from 1934 to 1957 the tariff on zinc—just take that for example, the others are about the same—was cut from a cent and a half to six-tenths of a cent a pound under the 1934 Trade Agreements Act now being administered in Geneva by 34 competitive nations. You are familiar with that situation?

Senator ALLOTT. Yes.

Senator MALONE. This hearing would be very interesting to you. It is part IV of the hearings on H. R. 1, March 21, 22, 23, 1955, when the 1934 Trade Agreements Act was extended 3 years, and now expires in June 1958. So I asked the Secretary this. The purport of the question was:

Could you lower the tariffs or duties and close down any industry in the United States, knowing you were doing that if in your opinion it would be of benefit overall to the United States?

His answer is yes; but the question then on page 2036:

Senator MALONE. I was particularly interested, Mr. Secretary, in your frankness in explaining the latitude under this bill. As I understood your testimony, you are under the impression and you so interpret it—and I believe you to be entirely correct—that the position of the United States is strengthened by it.

You have some authority for that through coordination of domestic industries, agriculture, and manufacturing and mining, and so on. If you believe the coordination of these domestic industries is furthered, or if you believe that an important international situation is involved that would prove to be an overall strengthening of the United States position then you have the authority under the 1934 Trade Agreements Act, as amended, to make any trade agreements within the limit set down by Congress. That includes lowering duties on any particular product that you think might result in additional markets for certain nations or areas, thereby strengthening us through friendship, or to increase our exports in another important category? Is that what I understood you to say?

Secretary DULLES. Substantially so. When you say "you," I assume you are referring to the President.

Senator MALONE. I refer to the President, knowing full well, of course, that it is generally understood the President leans heavily on the State Department. That is true, is it not?

Secretary DULLES. He takes the advice of a whole series of departments. He takes the views and advice of the State Department, or better, he listens to the advice from the State Department particularly in relation to the international aspects of the case. He listens to other department heads with relation to the domestic aspects of the case. Then he makes the decision.

Senator MALONE. Yes. I suppose that to be the case because of the importance that has been put on international affairs, to keep the peace and to hold the allies or gain prospective allies, and that being your field mostly, I suppose the emphasis and the publicity has been mostly in your direction. But in any case, if he believes an overall strengthening of the United States could result, then he could do that very thing. He could rearrange the imports of one industry hoping that that might result in more exports in another industry but even if it did not and it would strengthen us internationally, or in the long run be of benefit to the United States, then you could make the trade?

Secretary DULLES. If he believes within the authority of the act he could take action which on an overall basis could benefit the United States, he would certainly have authority to do it.

And of course, Senator, that is what they have done.

Now, we have extended that act until 1958 in June, and I would simply say to you that we have abandoned the principle of protection up to the amount of the difference in the labor cost and the tax, up to the amount of the difference in the labor cost, or the taxes or cost of doing business in this country, and in the chief competing countries which was our principle in Congress for many years. Now it is in the hands of Geneva, and under the General Agreement on Tariffs and Trade, and they have the authority, so testified by Secretary Dulles, to close down any industry, the mining of any product, the production of textiles or anything else, if they think the trade will increase, perhaps, exports in another industry, to make a difference, or if even, as he so testifies, it does not result in such an increase.

If he believes that the friendships so gained, the allies and the international position of the United States is strengthened, then he can close that industry or restrict it or in any way they care to do. You do understand that; don't you?

Senator ALLOTT. I understand that. I think the general principle of these people who want to open up trade is desirable, but I don't think that it should be opened up to the place where it destroys our own industry. And I might say this: The unfortunate part about it is that when you compete with lead and zinc or tungsten, or any of these other minerals, and in managanese, and import them into this country, the money that we pay out when our Americans purchase it doesn't go to labor in foreign countries.

Senator MALONE. Of course not.

Senator ALLOTT. It goes out in a few cents a day labor, and therefore there is never any opportunity really to develop. It goes to invested wealth, capital wealth, and the government. Under the systems in existence, for example, in most places in South America and South Africa, there is no chance for the workmen to become better off and therefore demand and create a demand for our capital goods, which is the thing that would help us.

Senator MALONE. But we do tend to hold that particular government in power, and it is often a dictatorial power that we don't like very well anyhow; isn't it? It holds that government in power by giving them that concession.

Senator ALLOTT. There may be many, many other factors that have to be considered.

Senator MALONE. That is correct; but the point I would like to make with you, and I have been making it here for 11 years I have been on this Senate floor, that is that we have utterly abandoned workingmen and the small investor in this Nation, and put them in the hands of people here in Washington who have international ideas of strengthening the overall setup, when as a matter of fact the way we came to be the nation we are is that we simply protected American industry to the point of the difference in the wages and the difference in the cost of doing business.

Senator ALLOTT. And I think it should be.

Senator MALONE. And then it only becomes a question of who is going to do it; and the Constitution of the United States in article I, section 8, says Congress shall do it, and we have set the Tariff Commission up and given them specific instructions under the 1930 Tariff Act to determine the difference in cost in the production of an article or a like article in a foreign country, and recommend that to be the duty or the tariff.

If that were the case here, if there were a tariff suddenly placed on the two materials under consideration, that would make the difference in the labor, the effective difference here in the taxes and the cost of doing business, and in the chief competing nations, you would be in business; wouldn't you?

Senator ALLOTT. I would expect so. I want to call the Senator's attention to the fact that this is nothing new. I recall back in 1933, 1934, and 1935 when that portion of our country was under a very great drought situation similar to the one we have just experienced. I made a systematic examination of some of the wholesale markets. They wouldn't compare with our wholesale markets then, Safeway and that type of thing, and 80 percent of the tinned meats on the shelves at that time were from Uruguay and Argentina, so this is nothing new, and I think perhaps we have gone overboard in many respects in this so-called free trade.

Senator MALONE. We have applied this to the livestock industry, wool, meats, and everything else. As a matter of fact, I will make this statement and debate it with anybody any place. There is no product that you can't import from a low-wage nation somewhere in the world, and lay it down here and produce it cheaper, no matter what it is. Even the great automobile companies now are starting to import small cars. They can make them cheaper abroad. Ford has been doing it ever since the situation has been like it is, and you cannot blame the people for investing their money abroad. The only thing you can do is blame ourselves—we are the Members of Congress—for making it possible.

Senator ALLOTT. Thank you very much, Mr. Chairman.

The CHAIRMAN. Is it the pleasure of the committee to recess until ths afternoon, or to hear the next witness?

Senator KERR. Mr. Chairman, I would be glad to do either. There is a witness here, Mr. Thomas Kiser, from Oklahoma, who wants to be heard. Will the committee be in session in the morning?

The CHAIRMAN. That is the intention if there is need for further testimony. If we can't finish this evening, the Chair will be glad to meet tomorrow morning.

Senator MALONE. Are we allowed to meet while the Senate is in session, Mr. Chairman?

The CHAIRMAN. We haven't got the privilege yet.

Senator KERR. I would like very much to be here when Mr. Kiser testifies. I can't be here this afternoon.

Senator BENNETT. Mr. Chairman, I would like to suggest that Mr. Kiser be permitted to testify now, and the committee stay in session until the Senator from Oklahoma has had a chance to question him.

The CHAIRMAN. The next witness is Mr. Thomas Kiser, an independent mine operator. Senator Kerr, will you take the chair, please.

Senator BENNETT. Mr. Chairman, at what time will we meet this afternoon?

The CHAIRMAN. Two-thirty this afternoon, and then at 10 o'clock tomorrow morning, provided there is need for further hearing.

Senator KERR. I would like to put into the record at this point a statement by Representative Edmondson, Member of the House of Representatives from Oklahoma, in whose district the Tri-State Lead and Zinc Ore Producers Association and its members operate.

(The statement referred to is as follows:)

STATEMENT OF REPRESENTATIVE ED EDMONDSON

Mr. Chairman, on behalf of the people of Oklahoma's Second District, who are the victims today of disastrously low prices on lead and zinc, I want to thank this committee for holding these hearings and going into this important problem.

In the tristate mining area of Oklahoma, Missouri, and Kansas, which for more than half a century has been a major producer of lead and zinc, these hearings are among the most important ones being held in the 85th Congress. Literally thousands of people, who depend directly upon a healthy domestic lead and zinc mining industry for their livelihood, are grateful for this opportunity to present the facts in Washington.

The miners and mine operators of our district have an able spokesman in Mr. Tom Kiser, representing the Tri-State Lead and Zinc Ore Producers Association.

Mr. Kiser can tell this committee the facts concerning the widespread unemployment in our area, and the absolute impossibility of operating mines at a profit at prevailing prices. He can also demonstrate the direct cause and effect relationship between present-day record imports of lead and zinc into our country and the depressed condition of our domestic industry.

If you believe in a strong domestic mining industry, you are sure to agree that some steps are essential to protect our lead and zinc producers. If you believe in the reciprocal trade agreements program, you will surely agree that national support for it is being undermined when an essential domestic industry is allowed to be destroyed under its operation.

I want to give my full endorsement to the testimony of Mr. Kiser and to join him in urging quick action by this committee, before it is too late.

Senator KERR. Mr. Kiser is one of Oklahoma's distinguished and able citizens representing one of Oklahoma's great industries, and they are keenly interested in legislation that will remedy the situation sought to be helped by S. 2376, now under consideration.

All right, Mr. Kiser.

STATEMENT OF TOM KISER, VICE PRESIDENT, TRI-STATE ORE PRODUCERS ASSOCIATION

Mr. KISER. Mr. Chairman, committeemen, I am Tom Kisér, vice president, Tri-State Ore Producers Association. I am here to represent the association, small miners, retail merchants, civic organizations, schools, and anyone else affected by our economy.

The tristate district, comprised of Oklahoma, Kansas, and Missouri, covers an area of approximately 100 square miles. There are approximately 85,000 American taxpayers in this area whose economy is very much affected by the drastic reductions in the price of lead and zinc—I might add that even though our trucks and tractors, drill steel, blasting powder, and many other supplies are jobbed locally, they are manufactured elsewhere, mostly in the East.

We of the tristate district, want to thank the Interior Department for establishing the peril points at 14.5 for zinc and 17 for lead. We feel that at that price we can operate at a fair and reasonable profit and do some development work.

No doubt you gentlemen are aware that we have been operating on 16-cent lead and 13.5-cent zinc until May of this year. When the price broke to 14-cent lead and 10-cent zinc, which was brought about by ever-increasing foreign imports, no doubt encouraged by our liberal foreign-aid policies. developing, and equipping foreign mines.

While many tristate mines and other mines in the United States have suspended operations, others have cut back or curtailed production, hoping for some emergency action that will enable them to survive the crises. However, if something isn't done soon the situation will grow continually worse. It seems to be a process of elimination; eventually every mine in the tristate district is most likely to be forced out of business because of foreign imports. Along with them will go the various supply houses, retail merchants, and the whole economy of our area.

The tristate district has produced well during three major wars and will do so again if called upon, provided it has a fair price to maintain it now. Therefore, I want to urge you gentlemen on this committee to give us your support in establishing these peril points the Interior Department has recommended. However, due to the very recent increases in the cost of electric power, blasting powder, workmen compensation insurance and steel, and the fact zinc has dropped to 10 cents and lead 14 cents, which I am sure is much lower than the Department ever anticipated, we of the tristate district would like to have some assurance the peril points will be maintained. There is possibly a million American taxpayers in all the combined lead and zinc districts of the United States who are directly concerned or in sympathy with lead and zinc miners, who would also like to see some assurance of the peril points being maintained.

To do this we are going along with the Emergency Lead and Zinc Committee in asking for amendments which should assure the peril points are maintained.

Senator KERR. Thank you very much, Mr. Kiser, for your statement that corroborates the evidence already before the committee and firms up the establishment of the necessity for action by the Congress if this great segment of American industry is to be enabled to operate in an environment in which it can survive.

Mr. KISER. That is right.

Senator KERR. Are there any questions?

Senator MALONE. Mr. Kiser, your statement is very interesting to me. It merely follows the general information that has been presented to this committee for many years. But you are living in the area and know the setup. Now how did it happen that the duty or the tariff on zinc and lead was cut in the first place?

Mr. KISER. Sir, I really don't know. I am just a practical miner, but I assume to encourage foreign imports at the time of necessity when they thought our country needed an abundance of lead and zinc.

Senator MALONE. You are generally familiar with the fact that there was a cut of a cent and a half a pound?

Mr. KISER. Seven-tenths.

Senator MALONE. Six-tenths. That is what this table says; but, nevertheless, the principle is the same whether it is six-tenths or seven-tenths cent. Under what act was that accomplished?

Mr. KISER. I really don't know.

Senator MALONE. I think, Mr. Chairman, this is a typical case. Here is a man that works hard and is out in the country trying to make a living and was making one under the general laws as set down under the Constitution of the United States, and suddenly he is without an industry and without a job, and he doesn't understand what happened.

What happened, for your information—and if there is any difference in opinion, of course, I have always offered to debate with anybody on that part of it—for a long number of years we continually raised our standard of living above that of the world, the wage standard of living, through the imposition of what the Constitution calls a tariff duty. In article I, section 8, of the Constitution we have come to call it tariff; they have called it import excise there.

To make the difference in the cost in this country, wages are continually rising, and we have all had a hand in that. That is the way we have created a market in this Nation. The difference in this Nation and others is that labor gets a part of all this increase in production profit, and they spend it rather liberally, so it results in the best market in the world, as a matter of fact the only market in the world where you can sell anything and get the money, unless we have already given the money to them to buy it, which we do very liberally.

Now in 1934 we reversed that field and began to encourage imports. In 1930 we had a tariff of a cent and a half which may or may not have been right. We may have needed a little more or a little less, but on the theory expounded by Mr. Dulles in his testimony before this committee in 1955, which I have already read, where he says that the 1934 Trade Agreements Act as extended—he was testifying on the extension right here in this committee in 1955, and the Congress later extended it to June 1958—that the President of the United States—that is what the law reads, but it means the State Department for all practical operations—could manipulate the tariffs or duties downward if he thought by curtailing the production in an industry, or closing it entirely, it would result in sales of other products abroad, or even if it did not increase sales, if we thought we were strengthening our position with our allies and with the world, that they had full authority under the 1934 Trade Agreements Act to lower that duty or tariff.

Now, we have continually done that for 24 years, and we are still doing it. The only thing is that the 1934 Trade Agreements Act also included authority to transfer this operation to any area on earth, and in 1947, the President transferred it to Geneva, where now 34 foreign nations are busily engaged in further lowering our tariffs and our multilateral trade agreements, that result in just what you are complaining about—but the Congress authorized it, and you can only blame Congress. You can't blame these people who invest their money, because they invest it where it will bear interest and where it will make some money.

But you can blame the Congress for bringing about the condition under which this thing is profitable. Now, if you understand that, and I hope you will read the act, read that testimony quoted from at page 2040, which begins, however, on page 2033, the hearings on H. R. 1, part 1, March 21-23, 1955—I think the reason our citizens don't pay too much attention to these things is because they still can't believe that Congress would do that to them. You just can't believe it yet, but they did.

Now, it expires in June 1958, and it is up. And it will be up right before this committee for extension. That is when I want to kill it.

Since I have come here to this Senate, one of my main objectives is and has been to kill this thing. It is the heart and soul of the international theory of the guys of the wealth. I think all you prospective witnesses ought to familiarize yourselves with this, because you are going to face this thing next year.

The Office of Trade Cooperation is before this committee now, which would approve what they are doing in Geneva. They had the International Trade Organization, which is just like the Office of Trade Cooperation, in 1951 or 1952, when this committee turned it down—or at least the Senate did.

So the basic thing that is affecting you is the new policy and principle in the United States of America on foreign trade. It isn't that anybody wants to hurt you particularly, but you are just in the line of fire, and you are just as helpless as a baby in arms as long as that law is in effect.

So I would ask you then, do you consider that you are subsidizing an industry when the duty or the tariff or the fixed price only makes it difficult in the American labor cost and the cost of doing business here, including taxes and in the chief competing nations?

Mr. KISER. I wouldn't think so.

Senator MALONE. You wouldn't consider that a subsidy. I wouldn't either. I agree with you. If you have to go above that to hold an industry that is important to this Nation, then it would be a special act of Congress, and it would be a subsidy.

Now are you familiar with the peril point and escape clause that are supposed to take care of all of you people out there west of the Potomac River?

Mr. KISER. I know about the figures on it. I don't know whether I am thoroughly familiar with it or not.

Senator MALONE. They discussed it here—I have been here 11 years, and almost every time it came up with something new to salve the thing over for another 2 or 3 years. The peril point was, if an industry is in peril the tariff or duty is lowered below a certain point, that then they could come before the executive department here for relief. There has been relief granted once or twice, I think, in 6 or 7 years. The escape clause is the same thing. You can apply to escape from this thing. They call it an escape clause because nobody has ever escaped, I suppose.

Mr. KISER. We tried.

Senator MALONE. I know you did. So I want to point out that if you give relief under the peril point or you establish a trade agreement for 3 years on the peril point, which is no doubt at that moment where the tariff ought to be 10 minutes after the ink is drying on the

3-year contract, that particular nations, the chief competitive nations, by manipulating the value of its money in relation to the dollar and other arrangements which they can do by Executive order in these dictatorial countries, they are right back where they started from, and you are stuck for 3 years.

So the thing never had a chance to succeed, but it has lasted for 24 years, and the only people in the world that can stop this thing are the small investors and the working people of America. You are a small investor?

Mr. KISER. That is right.

Senator MALONE. Because you don't want to go abroad; you are not able to go abroad and produce this stuff, so this is a fact. This whole thing from the beginning has been a difference of opinion or a battle before Congress of small business and the workingmen of America and the international investors. That is just cold turkey, what it is, and unless the workingmen of America wake up, and the small-businessmen, and start understanding this thing, which you obviously do not, then you are a lost ball in a high wind, brother, and I just want to let you in on that. Thank you.

Senator KERR. Thank you very much, Mr. Kiser.

I submit for the record a statement by Mr. Robert C. Weisbrod, representing Blackwell Zinc Co., Inc., of Blackwell, Okla.

(The statement follows:)

BRIEF OF ROBERT C. WEISBROD, REPRESENTING BLACKWELL ZINC CO., INC., BLACKWELL, OKLA.

The Blackwell Zinc Co., Inc., is a wholly owned subsidiary of the American Metal Co., Ltd. The Blackwell plant is a horizontal retort zinc smelter and the largest of its kind in the world. In 1956 output was 82,600 short tons, or about 8 percent of the total United States slab-zinc production.

The plant was built in 1916. It was designed to take advantage of locally abundant supplies of natural gas and to treat concentrates from the nearby Joplin lead-zinc mining field. As the output of this field declined and in the absence of other adequate domestic mine production, Blackwell was forced to use increasing tonnages of imported concentrates in order to maintain and expand capacity. Today the plant operates almost completely on foreign concentrates. In recent years over 96 percent has come from Mexico.

The population of the city of Blackwell, Okla., is about 11,000, of which the Blackwell Zinc Co.'s 900 employees and their families constitute over 35 percent. The smelter's annual payroll of approximately $4,500,000 is the dominant factor in the economy of the city of Blackwell and it environs. All city operations, including amortization of bonded indebtedness, police and fire protection, and other municipal services, are paid for out of the profits of the powerplant owned and operated by the city of Blackwell. Blackwell Zinc is the largest purchaser of city power, and consumes roughly 40 percent of the output.

The smelter is also an important customer of the local foundry and of local tire, gasoline, and lumber distributors. It is a very large consumer of Oklahoma and Texas natural gas, Arkansas coal, and Colorado and Missouri clays. Movement of concentrates from gulf ports and from the Mexican border, coal, clays, and other supplies to Blackwell, and shipment of slab zinc and byproduct metals and metallurgical concentrates from the plant make up a sizable railroad revenue in the Southwest. Last year the freight bill was about $2,400,000.

More than half of the cost of operating a horizontal retort zinc smelter is labor. Blackwell Zinc's average daily wage is about $21 per day, including fringe benefits. The plant has a union-shop agreement with an affiliated American Federation of Labor union.

The Blackwell Zinc Co. is opposed to the import taxes on zinc-bearing ores and slab zinc proposed in bill S. 2376. The company believes any tariff or tax on zinc concentrates or metal is against the best long-term interests of the domestic zinc mining and smelting industry. Since an assessment on slab zinc usually increases the domestic zinc price over the world market price by a portion of the amount of the assessment, the tax is to that extent paid by the domestic consumer. Such increases make more difficult zinc's competitive position with other materials. For example, galvanized sheeting must compete with aluminum sheeting for farm and industrial building applications. Zinc base die castings must compete with aluminum base die castings, plastics, and stainless steel for use in the automotive and appliance fields.

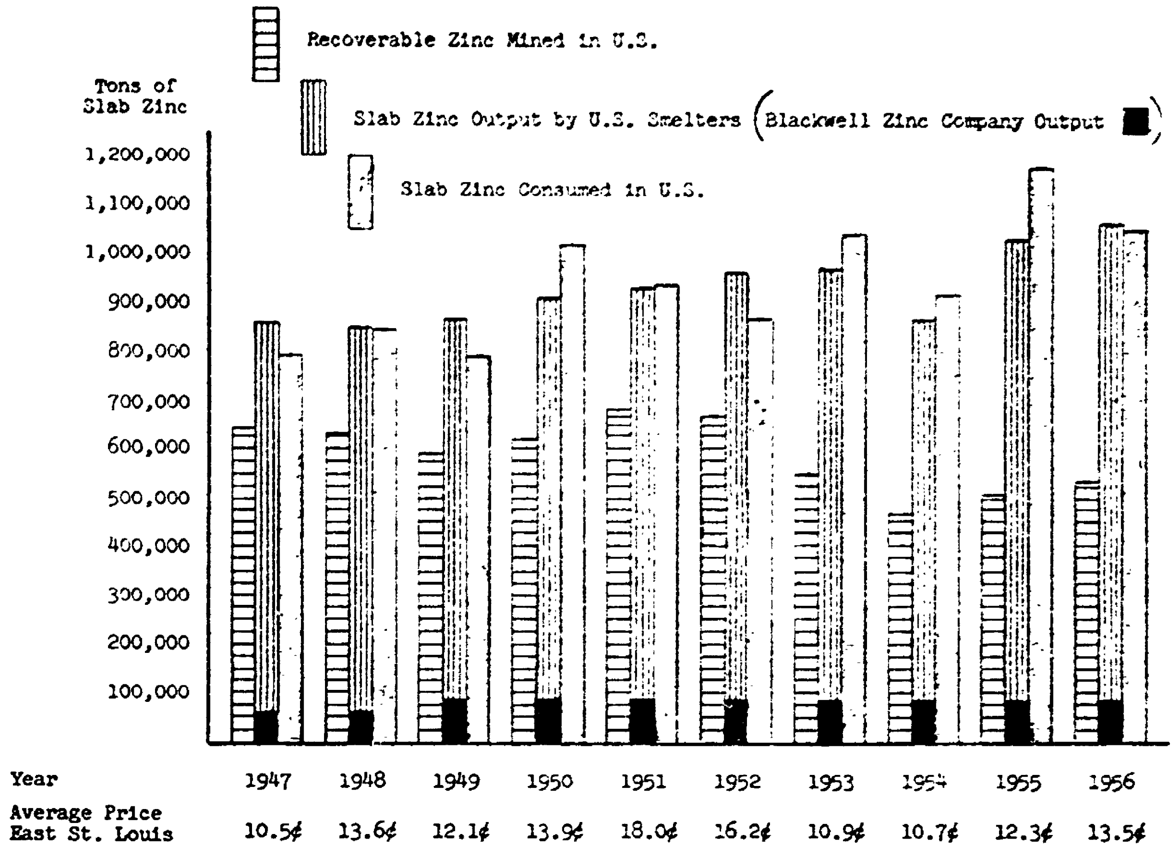
If a higher assessment is imposed, it should take into account the dependence of United States smelters on foreign concentrates and provide at least the preferential treatment shown in the schedules of S. 2376 for lead. Bill S. 2376 proposes that the lead content of lead-bearing ores should be taxed at one-half to two-thirds the rate applied against pig lead. On the other hand, it does not offer the same preference to zinc concentrates on which the tax is 80 to 90 percent of the rate against slab zinc. The company does not understand why zinc should not receive at least the same treatment as lead. The difference between the ore and metal duties on zinc is barely equivalent to the metallurgical losses in smelting. On lead it is about 400 percent in excess of such losses.

The accompanying chart shows that domestic zinc smelters during the past 10 years have produced roughly as much slab zinc as the United States consumed. On the other hand, the domestic zinc mining industry has been made during the same 10-year period to supply more than 80 percent of the concentrates required by the smelters in any one year. During the 10-year period, 1947 through 1956, the average was only 68 percent, despite price levels higher than today's. This condition of inadequate supply of domestic mine production to meet domestic smelting and consuming requirements has existed since 1939.

Increases in the assessment on zinc concentrates place domestic smelters at a competitive disadvantage with the foreign smelting industry in bidding for foreign concentrates. The existing duty on concentrates of 0.6 cents per pound of zinc contained is already a burden. By specifying possible assessment changes every 3 months, S. 2376 adds a further uncertainty to the future cost of concentrates.

The Blackwell Zinc Co. urges that the tariff on zinc concentrates be removed. At the very least the domestic zinc-smelting industry which depends on foreign raw materials should not be discriminated against. Failure to give our industry preference over importation of foreign metal can only encourage foreign countries to develop or increase their smelting capacity and to decrease their interest in the United States market—a market deficient in the raw materials the company processes and in the product the company sells. The United States should have unimpeded access to the cheapest raw materials in order to keep its smelters, refineries, and manufacturing industries competitive with that of foreign countries.

COMPARISON OF U.S. ZINC MINING, SMELTING AND CONSUMPTION



Data from 1956 Yearbook of American Bureau of Metal Statistics

Senator KERR. I submit for the record a statement by Mr. W. H. Leverett, president of the National Zinc Co., Inc., of New York City.

(The statement follows:)

NATIONAL ZINC CO., INC.,
New York, July 19, 1957.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We hereby submit a written statement in connection with the hearings of the Finance Committee on import taxes for lead and zinc.

We support the bill containing the proposal of the Department of the Interior. However, it is essential that in enacting higher protection for lead and zinc, the tax on zinc ores be kept lower than the tax on zinc metal by an effective margin. The proposal does that for lead ores but not for zinc ores.

We support the Government proposal as providing for our domestic mines, which have long struggled against depressing odds, a minimum necessary measure of protection, with which all reasonable trade interests should be able to agree. We support the proposed sliding scale so as to promote action in the new emergency which faces many mines, although we feel that a flat increase in the existing tariff by a reasonable amount would have been more effective, since sliding scales have intrinsic disadvantages. In applying the sliding scale, the 3-month base period of the proposal should, in any event, be shortened, so as to make the measure more effective and prevent manipulations.

The differential between the tax on zinc in ore and the slab-zinc tax should be the differential recommended by the Interior Department between lead bullion and lead-bearing ores, which differential varies from one-half cent to 1 cent per pound of metal content. The bill, as proposed, provides for zinc a differential between ore and metal tax of only one-tenth to two-tenths of a cent.

We operate a zinc smelter and sulfuric acid plant at Bartlesville, Okla., with 650 employees. We prefer to buy our ore supply from domestic mines, and have done so almost exclusively before World War II; however, since domestic zinc-ore production is now admittedly insufficient to supply the requirements of our country's zinc-consuming industries, we, like other smelters, depend for a substantial part of our ore requirements on Canada and Central and South America.

Setting an import tax on zinc ore practically as high as on zinc metal would bring about serious danger of shifting from our domestic smelters to competing foreign smelters the processing of foreign zinc concentrates necessary for industrial zinc consumption, thus affecting both the assured supply of metal for consumers and the effectiveness of domestic zinc smelters such as ours, which, for half a century, has provided employment and produced in peace and war essential supplies of zinc and byproducts, such as sulfuric acid, cadmium, and germanium.

The proposed import taxes on lead bullion (1 to 3 cents per pound) and slab zinc (one-half to 2 cents per pound) will directly support and enhance the domestic metal prices, which are the controlling factor for the payment the mines receive for their product. At the same time, these taxes are not so high that they would disrupt long-established, essential patterns of supply, or that they would price zinc out of its highly competitive industrial applications.

Setting the zinc-ore tax lower than the slab-zinc tax by the differential now contained in the Interior Department recommendations for lead will not weaken the protection afforded by the bill to domestic mines, but will enable custom smelters such as ours to acquire ore supplies without being eliminated from the foreign ore markets by zinc processing plants in Western Europe, Peru, Australia, the Belgian Congo, and in other foreign localities where such foreign smelters, because of geographic location and labor situation, operate at a vastly lower overall cost to market than our own smelting industry.

In fact, by subjecting zinc ore imports to the United States to the full tariff increase, we would depress the value of zinc ores in foreign markets, thus making it possible for foreign smelters to buy their ores that much cheaper and furnishing them the very means of overcoming any new tariff barrier with metal made abroad from such artificially cheapened ores. Finally, a reasonable differential on zinc-ore tariff, such as herein proposed, should go a long way toward gaining support for the measure among the traditional raw material suppliers of our economy, such as Canada, Mexico, Peru.

Respectfully,

W. H. LEVERETT, *President.*

Senator KERR. I submit for the record a statement by Mr. David Laine, secretary of the American Die Casting Institute.

(The statement follows:)

STATEMENT OF DAVID LAINE, SECRETARY, AMERICAN DIE CASTING INSTITUTE, OPPOSING ZINC IMPORT TAX PROVISIONS OF S. 2376

ZINC IMPORT TAX

The American Die Casting Institute, on behalf of the diecasting industry and its 122 member companies, is opposed to the imposition of additional tariffs or excise taxes on imports of zinc.

The present proposals for a sliding-scale import tax are no different from previous provisions urged upon the Congress in past years. Our opposition to such a tax, as in the past, is that it is a discriminatory tax as it affects diecasters and that it is unfair. In addition, we believe it to be unnecessary and unworkable.

We feel the tax to be unnecessary since the principal basis on which it is advocated is no longer valid. The need for maintaining a healthy zinc-producing industry as a matter of national defense is the major premise used to support the claim for the tax.

(*a*) Government-owned stocks of zinc are at levels far beyond the original strategic stockpile goal and no current forecast of use is available to support the claim of possible shortage in the event of war.

(*b*) To the contrary, the Office of Defense Mobilization presently, and the emergency agencies in the past, recognize that the mobilization supply base of the United States includes the zinc in Canada and Mexico—the two sources which will be most adversely affected by the imposition of an import tax.

We feel the tax to be unfair since it amounts to levying a tariff on a commodity not produced domestically in sufficient supply to meet demand. Domestic ore production is not now, and has never been, available in sufficient tonnage or of sufficient quality to meet our domestic needs.

(*a*) Historically, the smelting segment of the zinc-producing industry has imported concentrates of foreign-ore origin for its needs. These imported concentrates are used in the smelting process because of insufficient domestic supply and because they are of higher grade than domestic ores.

(*b*) The zinc-mining segment of the zinc-producing industry is dependent upon the concentrate importing policy of its alter ego—the smelters.

(*c*) The proposed import tax will neither raise the quality of domestic ore nor benefit the miner unless the smelting industry, through self-discipline, alters its present practices. In 1955 slab-zinc consumption reached an alltime high and sales by smelters for Government account were equal to less than 1 month's production. In 1956 demand from consumers was reduced but smelting production increased. As a result, sales for Government account doubled. In 1957, with demand further reduced, production was increased and sales for Government account correspondingly increased. With Government purchases providing a ready market for undisciplined production far beyond domestic needs and at high price, a production spree was in progress. When Government purchases were interrupted, the excess production became unmanageable and the market fell apart.

The proposed import tax cannot cure irresponsible production policies.

(*d*) Since we are dependent on imports for adequate supplies of concentrates and metal, or slab zinc, the import tax is unfair. There is no oversupply of domestic origin that demands protection. Mines are not closing because of this. Mines are closing because the smelters continue to require foreign concentrates for their processing.

We feel the tax to be discriminatory in its effect on diecasters.

(*a*) The diecasting industry is the second largest consumer of slab zinc. Consumption in 1956 is estimated at over 360,000 tons—some 41 percent or more of total domestic use. All of this tonnage represents zinc of 99.99 percent purity—special high grade. Metallic zinc of this grade is produced by the electrolytic process and represent a grade of zinc which has not and cannot be domestically produced in adequate tonnages from domestically mined ores. Imported supplies of slab zinc and of foreign concentrates have and are necessary to meet the demand. This dependence on imported supply is overlooked in the proposed import tax proposals and, in our opinion, represents an unjustified discrimination against the diecasting industry.

(*b*) Domestic mines have never been able to meet the tonnage requirements for high-grade ores from which special high-grade zinc is produced. The domestic smelters have historically imported high-grade concentrates for producing special high-grade zinc and in spite of this have not been able to meet the requirements of the diecasting industry in many, many years.

About 40 percent of our requirements for special high-grade slab zinc are imported from Canada. Without this Canadian metal there is not enough special high-grade zinc.

It appears to us that these importations of special high-grade slab zinc have no bearing on the mining production of the United States or the operating rate of the domestic zinc mines. It appears to us that no protection is afforded the domestic zinc mines by placing a tariff on special high grade which they have not, do not, and cannot produce in the required tonnage. Special high-grade slab zinc should not be related to prime western, as far as tariffs are concerned, since it is produced domestically in insufficient quantities by a different smelting process from different ores and concentrates.

(*c*) The impact of an import tax is not equal on all consumers. It falls heaviest on those uses which contain the largest percentage of zinc in total product cost. In a zinc diecasting, 35 to 75 percent of total cost is metal. Since diecastings compete with other materials and methods of fabrication, any imposed price increase can make our product noncompetitive. We know how precarious our markets are. Our largest customer industry—automobiles—will not give us a premium price to meet an import tax. Our volume of zinc consumption will drop, bringing further complications of supply imbalances and price instability.

Finally, we believe the sliding scale import tax to be unworkable.

(*a*) It will impose a rigidity of price artificially but it will not affect total supply or supply or special high-grade metal. The result will be a decline in demand due to our inability to meet competitive processes, followed by a drop in price, an increase in tax, etc., ad nauseam.

(*b*) It will bring on uncertainty and insecurity, inventory hedging, and market manipulation. It will not bring stability of price or reassurance. These can come only from balanced supply—demand relationships which in the long run will decide the fate of zinc as a dependable, usable, economic industrial raw material.

We, once again, urge the Congress to direct an impartial study of smelter policy and consumer impact as they affect zinc mining policy and request that no action or an import duty be taken at this time.

Senator KERR. I submit for the record a statement by Mr. George E. Biscayne, vice president of C. Tennant Sons & Co., of New York.

(The statement follows:)

STATEMENT OF GEORGE E. BISCAYE, VICE PRESIDENT OF C. TENNANT SONS & CO., OF NEW YORK, RE SENATE RESOLUTION 2376

This company has been engaged in business in nonferrous metals for over 35 years. Since the United States became dependent on foreign sources for a portion of its needs of lead and zinc we have imported large quantities of these two elements into this country in the form of both metal and concentrates for delivery to United States consuming industries.

We view with great concern the proposals now before Congress to replace the duties currently being charged on lead and zinc imports with a sliding scale of excise taxes. The reasons for our concern can be expressed under two main headings, which are:

1. We consider that the necessity for increasing the import duties over present levels has not been demonstrated. While it may be argued that some form of assistance for the domestic lead-and-zinc-mining industry is called for, we do not consider that increasing the import duties is necessarily the most desirable or even the most effective way of providing such assistance.

2. Were it nevertheless decided that an increase in duties is called for, we fear the adverse effects on the United States domestic markets which

might result from the sliding scale of taxes as proposed by the administration.

Our reasoning under these two general headings is as follows:

With respect to 1, above, there would appear to us to be 3 possible reasons for increasing the current rates of duty on lead and zinc, i. e.:

(*a*) Strategic reasons concerned with the military security of the United States.

(*b*) Reasons based on the Government's desire to avert unemployment and assure the maintenance of jobs for mineworkers now engaged in the industry.

(*c*) Reasons concerned with the maintenance of profitable business operations by companies engaged in the domestic-mining business.

It is not clear to us which of these reasons or which combination of them is the justification for the present proposal to increase duties. We believe it is fundamental to this issue that the objective of this bill be clearly stated because:

(*a*) While we are naturally not aware of the details of the defense mobilization base for zinc and lead as established by the Government, we are aware that the Government, through its various stockpiling programs, has acquired very substantial tonnages of both lead and zinc metal over the past few years, and, according to recent statements made by responsible Government officials, the Government's long-term objectives for stockpiling these two metals have virtually been reached.

According to pages 70 and 150 of the United States Bureau of Mines—Minerals and Metals Commodity Data Summaries, dated January 1957—apart from this reserve in stockpile, two of this country's largest suppliers of lead and zinc are Canada and Mexico, who between them supply about 33 percent of our lead and 72 percent of our zinc import requirements. These two countries ship most of their metals and concentrates to the United States by rail, and in an emergency they could presumably make all rail shipments, which is the means predominantly used by domestic producers. Therefore, shipments from these two countries would be no more subject to interruption in wartime than would be domestic shipments. In fact, with the probability that sea transport from Canada and Mexico to other markets might be interrupted, these two countries would probably be willing and able to supply more of these metals to the United States in war than they normally do in peace.

It is, however, our understanding that military or strategic reasons are in any event not being advanced as a justification for the proposed increase in duties.

(*b*) According to pages 70 and 150 of the United States Bureau of Mines—Minerals and Metals Commodity Data Summaries dated January 1957—the total number of persons employed in domestic lead and zinc mining for the years 1953 through 1956 has been as follows:

Number of workers employed

	Lead	Zinc
1953	8,780	8,950
1954	8,368	7,650
1955	8,570	7,750
1956	8,600	7,800

We have not included the number of workers employed in United States smelters and refineries, because most of these smelters and refineries are already treating large tonnages of imported concentrates, as the following tabulation shows:

United States supply of concentrates (per ABMS)

[In short tons of metal content]

	Domestic mines	Imports
LEAD		
1953	342,000	145,000
1954	325,000	145,000
1955	338,000	159,000
1956	348,000	177,000
	1,353,000	626,000
	1,979,000	
ZINC		
1953	547,000	437,000
1954	473,000	387,000
1955	515,000	406,000
1956	538,000	447,000
	2,073,000	1,677,000
	3,750,000	

As will be seen, these imports represent 31 percent plus of the domestic smelters' total concentrate feed in the case of lead and 44 percent plus in the case of zinc. Presumably, if import duties are not changed domestic smelters will be in a better position to continue receiving this foreign feed, or to increase such foreign feed should they need it. There is, therefore, very little reason as far as we can see to consider an increase of duties as being necessary to protect the domestic smelters.

Unquestionably it is the mines, especially those with high operating costs, who suffer as a result of low metal prices. The above figures show some 8,600 workers are employed in mining lead, and some 7,800 workers are employed in mining zinc in this country. To some extent these figures probably overlap, since in many mines the same miner is mining lead and zinc at the same time. Lacking more detailed figures, we are assuming that a maximum of some 12,000 workers are employed in the domestic mining of lead and zinc.

What percentage of these workers is likely to face unemployment as a result of the current low metal prices? Obviously, not 100 percent. Most likely not more than 25 to 50 percent of the domestic mineworkers would be affected, at the worst. It would appear, therefore, that our proper concern must be for the 3,000 to 6,000 mineworkers whose livelihood may be jeopardized by the present distressed state of the metal markets. Is the increase of current import duties the best way of insuring employment for these men? We doubt it. The number of workers involved, if our figure of 3,000 to 6,000 is correct, represents an exceedingly small percentage of the total labor force currently employed in this country, estimated at 66 million, and it represents an even smaller percentage of the total population. By contributing to increases in the cost of these basic raw materials and thereby contributing further pressure on everyone's cost of living, it appears to us that the tail would be wagging the dog.

In view of the recent comment from all quarters on the last increase in the domestic price of steel, we would have assumed that the Government would prefer not to seek artificial increases in the prices of other base metals.

We also have in mind the effect such duty increases are likely to have on this country's good friends in Australia, Belgium, Canada, Mexico, Peru, and other producing countries who can be expected to retaliate with new and discriminatory tariffs against United States exports. Is it not possible for the Government to find some solution less drastic than a duty increase which would provide alternative employment for these mineworkers where necessary?

(c) There are a number of companies whose main source of income is derived from the production of lead and zinc. It is worth noting here that, again referring to pages 70 and 150 of the United States Bureau of Mines, Minerals, and Metals Commodity Data Summaries, 1 firm in the United States supplies 55 percent of the refined lead production, and this same firm, together with 2 other firms, supplies a total of 93 percent of the total United States production. In the case of zinc, 3 leading firms supply 47 percent of the total production, and these 3, together with another 3, between them supply 75 percent of the total refined zinc production of this country. (The short notice that we have had of this hearing has precluded our breaking down these figures of domestically smeltered lead and zinc, to show the percentage of mine production covered by these figures.)

Has it been ascertained to what extent the individual mining companies face a real financial loss because of current prices as distinct from a reduction in profits?

It appears to us probable that in endeavoring to protect some of the more marginal mining companies and their stockholders, the proposed increase in duties will have the wider effect of increasing prices for all, with a corresponding windfall in extra profits to the handful of domestic mining companies who between them, we believe, account for the largest portion of the total domestic lead and zinc production. Is it the intent of this bill to try to guarantee a profit to the stockholders of the domestic marginal mines at times when metal prices alone cannot do so? Would such an intent be the proper reason for the imposition of increased duties? While there is probably merit in the United States Government's desire to keep these marginal mines in operation, we believe this could be done more effectively and with less harm to the country's economy as a whole by some other form of price-support program to those needing it rather than by such a sweeping measure as increasing duties.

With respect to paragraph 2 above in regard to the proposed method of increasing the duties by sliding scale taxes, since lead and zinc price changes do not necessarily occur to the extent of a full 1 cent at a time, we must visualize the sliding-scale tariff in operation at various intermediate price levels based upon metal price changes of one-fourth cent at a time, particularly since this smaller unit of price change is likely to be encouraged by the proposed tax scale. The following demonstrates our point:

ZINC Price:	ZINC Tax (cents)	LEAD Price:	LEAD Tax (cents)
$12.00	2.00	$14.50	3.00
$12.25	2.00	$14.75	3.00
$12.50	1.25	$15.00	2.00
$12.75	1.25	$15.25	2.00
$13.00	1.25	$15.50	2.00
$13.25	1.25	$15.75	2.00
$13.50	0.50	$16.00	1.00
$13.75	0.50	$16.25	1.00
$14.00	0.50	$16.50	1.00
$14.25	0.50	$16.75	1.00
$14.50	0.00	$17.00	0.00
$14.75	0.00	$17.25	0.00

It will be seen that, at certain levels, if the domestic price declines one-fourth cent per pound a much larger duty than one-fourth cent is imposed. Apart from the possible inequity of such an arrangement, it would also have the effect of causing abnormally sharp flucuations in the outside world market prices, i. e., at a certain level a drop of one-fourth cent per pound in the domestic United States price would probably cause a drop of 1¼ cents per pound in the world price, and an increase of one-fourth cent per pound in the United States would cause an increase of 1¼ cents per pound in the world market. This type of unnatural fluctuation does not make for a healthy market situation in the outside world, and in the long run might be expected to boomerang on the United States market prices. Also, the possibility of a sharp increase in the rate of duty is likely to lead foreign shippers to move substantial tonnages into this country ahead of the time they are needed in order to "beat the gun." Conversely, when a duty decrease could be expected, foreign producers would be encouraged to hold up their shipments. In each case the effect is to aggravate the existing domestic situation, i. e., on a weak market when prices were expected to fall, foreign producers could be expected to ship here larger quantities than the market could use, thereby exerting a further downward pressure on a weak market, and when metal is in short supply, so that a price increase could be expected, foreign producers would be encouraged to delay shipments, thereby depriving the market of needed supplies and exerting further upward pressure on the market. In other words, sliding scale taxes, as proposed, have the effect of contributing to instability of domestic metal prices.

We believe that if any form of sliding-scale duty increase is adopted the scale of changes in duty should be reduced to, say, one-quarter cent changes to correspond with similar changes in the price of the metal.

Senator KERR. The committee will recess until 2:30 o'clock this afternoon.

(Whereupon at 12:10 p. m., the hearing was recessed until 2:30 p. m., of the same day.)

AFTERNOON SESSION

Senator BENNETT. Gentlemen, I think we might as well get started. We have a unanimous consent to vote just obtained a little while ago, so within the next hour and a half at the latest we will have to take a recess while whatever members of the committee are present rush over and vote, but we will move along as fast as we can.

I am sure all of you who are here to testify or to listen realize that the legislative situation is such that the finance committee can take no action on these hearings until after the House Ways and Means Committee has held its own hearings, has reported a bill, and then not until after the House has passed a bill, so in a sense we are jumping the gun here today, but we are making a record which we can look back on it and when the House gives us a bill on which to work.

Apparently there are no other Senators who wish to be heard, and the first witness to be called this afternoon is Mr. Charles Schwab, of the Emergency Lead-Zinc Committee.

Mr. Schwab, sit down and make yourself at home. I see you have a prepared statement; we will be happy to have you do anything you want with it.

STATEMENT OF CHARLES E. SCHWAB, CHAIRMAN OF THE EMERGENCY LEAD-ZINC COMMITTEE OF THE UNITED STATES

Mr. SCHWAB. If time will permit, I would like to read it, I think, because it presents the whole picture of the Emergency Lead-Zinc Committee. It will not take me more than about 18 or 19 minutes.

Senator BENNETT. You may proceed.

Mr. SCHWAB. My name is Charles E. Schwab. I represent a major portion of lead-zinc mining and smelting industries of the United States as chairman of the Emergency Lead-Zinc Committee. I deeply appreciate the opportunity of appearing before your committee in support of S. 2376, being the administration bill transmitted to the Congress on June 19 by Secretary Seaton.

On behalf of our industries, I would like to express our gratitude for the time and thought which the administration has given, and the Congress is giving, to the problem of the lead and zinc mining industry in connection with the development of a long-range mineral policy of the United States.

The predicament of the lead and zinc industry of the United States is so serious that a solution in the public interest, I feel quite strongly, transcends any political or party interest. The action of Congress may well determine whether or not we are to have a lead and zinc mining industry in the United States that can perform a function essential to the well-being and security of the Nation.

I do not intend to take the time of this committee with a historical account of the trials and tribulations of the lead and zinc mining industry in the United States. This has been admirably covered in a report of the United States Tariff Commission on the lead and zinc industries which was published in May 1954. You may recall that this report was made pursuant to a similar resolution by the Committee on Ways and Means of the House.

1. The value of the lead and zinc mines, smelters, and refineries of the United States is approximately $1 billion. They contribute importantly to the economy and defense of the Nation and specifically to the economy of 27 States.

2. Lead and zinc must compete in international markets and are therefore dependent upon the prices prevailing elsewhere in the world. Lead and zinc are internationally traded commodities much like wheat, cotton, and corn.

3. The President of the United States and Congress itself have several times declared their belief that we must maintain a strong and vigorous mining industry in the United States for our military protection as well as for our prosperity.

In 1953, the lead and zinc miners of the United States were feeling the impact of sharply increased volumes of competition from lead and zinc miners abroad, causing much distress. They followed the path prescribed by law, seeking relief through an escape-clause petition as provided by section 7 of the Trade Agreements Extension Act of 1951. The Tariff Commission, after a most thorough examination of the industry and its problems, recommended an increase in the tariff of the maximum permissible by law, that is, 50 percent above the January 1, 1945, tariff rates. You are familiar with subsequent developments. The President decided to resort to military stockpiling of lead and zinc rather than to accept the recommendations of the Tariff Commission.

This remedy proved temporarily helpful, but stockpiling is drawing to an end, and developments have occurred internationally through the stimulation of mine production abroad which have offset, to a large extent, the benefits derived by Government stockpiling.

In a letter of August 20, 1954, to the chairman of the Finance Committee, the President stated:

> In addition, I am directing the Secretary of State to seek recognition by the foreign countries which are principal suppliers of lead and zinc that this increased stockpile buying is designed to help domestic production and that they will not themselves seek to take any unfair advantage of it.

The record shows that imports of lead and zinc into the United States were not affected in the slightest by any efforts the State Department may have made to carry out the President's directive.

4. In 1956 the Government instituted the barter of surplus agricultural commodities for lead and zinc produced abroad. This was done under the provisions of Public Law 480. Barter was the principal sustaining factor in the lead and zinc market until the Department of Agriculture suspended barter and established rules and regulations recently which virtually terminated the use of this Government authority. As the Secretary of Interior so well stated in his letter of transmittal to the Congress:

> These Government procurement programs have served to bolster the market for some time, but present market conditions are such that the lead and zinc industries again are threatened with substantial injury.

5. I understand that this administration is committed to a policy of trade liberalization but may I respectfully point out that trade liberalization does not contemplate the use of export control, subsidy, price control or quotas which are economic trade devices now used by our Government for other commodities.

As a specific example applying to ourselves, price controls were imposed by the Government on the lead and zinc miners in the United States, during the Korean conflict which absolutely prevented them from reaping the benefit and stimulation of a world competitive market that caused prices to rise to an unusually high level. Again the Secretary of Interior correctly observed:

> The threat of injury faced by these industries stems largely from actions taken as a result of the Korean conflict. The Federal Government at that time stimulated production of many essential minerals at home and abroad in the free world. Mineral raw materials were needed to build ships, tanks, guns, and planes for immediate use, and in order to accelerate stockpiling. Price controls in the United States held down the expansion of domestic production of lead and zinc and prevented domestic producers from taking full advantage of worldwide demand. Foreign producers, not subject to such price controls, expanded production rapidly.

Let me be specific. Foreign producers in Mexico, Australia, Africa, and elsewhere were able to sell their products at prices of around 23 cents per pound for lead and over 30 cents per pound for zinc.

In contrast, controlled prices here were 17½ cents and 19½ cents for zinc; 17 cents and 19 cents for lead. As a matter of fact, the ensuing shortages of both lead and zinc in the United States compelled some manufacturers to import these high-cost metals, whereas the domestic miner was forbidden to export his output.

The effect of the high prices prevailing abroad was to stimulate extraordinarily the production of the lead and zinc mines in Latin America, Africa and elsewhere. This was the forerunner of the flood of imports to reach this country. The American miner did not have any corresponding stimulus to prospecting or production, being under strict price control.

The table below of the world mine production of zinc bears on the point. It illustrates in general how zinc mine production abroad has grown sharply, while United States production has declined.

World mine production of zinc

[Thousands of short tons recoverable]

	1929	1938	1948	1955	1956
Mexico	302	311	218	232	220
Peru	24	64	54	131	133
Canada	175	209	189	203	189
Australia	215	307	229	312	313
Southwest Africa	2	19	28	81	86
French Morocco		21	33	98	96
Burma	99	90	8	16	16
Germany	119	106	25	74	72
Italy	28	44	33	51	52
Spain	162	35	30	67	65
Yugoslavia	11	86	69	99	96
U. S. S. R.	10	76	83	255	290
Elsewhere	228	215	160	236	243
Total	1,375	1,584	1,159	1,855	1,871
United States	758	370	390	338	348
World total	2,133	1,953	1,549	2,193	2,219

A similar table of world mine production of lead tells a similar story for lead.

World mine production of lead [1]

[Thousands of short tons]

	1920	1938	1948	1955	1956
Mexico	302	311	218	232	220
Peru	24	64	54	131	133
Canada	175	209	180	203	180
Australia	215	307	229	312	313
Southwest Africa	2	10	28	81	86
French Morocco	....	21	33	98	96
Burma	99	90	8	16	16
Germany	110	106	25	74	72
Italy	28	44	33	51	52
Spain	162	35	39	67	65
Yugoslavia	11	86	69	99	[illegible]
U. S. S. R.	19	76	83	255	290
Elsewhere	228	215	160	236	243
Total	1,375	1,584	1,159	1,855	1,871
United States	758	370	390	338	348
World total	2,133	1,953	1,549	2,193	2,219

[1] Source: American Bureau of Metal Statistics.

6. I strongly believe that when the Federal Government, in the interest of national security, enters upon commodity markets, as it has in lead and zinc, it has automatically assumed full responsibility for the results of that entry. When in times of emergency it is necessary for the Government to keep prices within limits while at the same time stimulating production of essential material through various assistance programs it should also be prepared to correct the abnormality it has created as soon as it is apparent that the condition warrants correction.

Lead and zinc are classic examples of what can be done to improve supplies of strategic materials by Government stimulation but they are also classic examples of what happens when conditions revert to more normal patterns and artificially stimulated output is forced upon competitive markets.

Domestic producers because of high wages and other cost factors peculiar to the domestic economy are forced to take the full brunt of correction. Mines have closed and the welfare of communities dependent on lead and zinc have been adversely affected. Indeed, the industry has been plunged into an emergency condition with lead at 14 cents per pound and zinc at 10 cents.

Ordinarily in commodity markets, when production can be individually adjusted by the producer, it is reasonable to expect some curtailment of operations as prices decline, and conversely, an increase in production when a rising market signals a growth in demand.

That is an economic characteristic of practically all free markets. But some foreign governments, notably Mexico and Australia, do not permit their lead and zinc mines to curtail or close, except under severe penalties, for fear of creating serious unemployment. This policy tends to prolong periods of depressed prices. American mines should be protected against it.

7. I believe it is unnecessary to illustrate the rapid increase in the cost of materials and wage rates in American lead and zinc mining. Also, practically every mining district in the United States faces a

combination of a declining grade of ore and rising costs of production, and there is little the mining industry can do to alter either trend. Indeed, the whole world must look forward to a growing use of lower and lower grade ores.

American engineers are noted for the engineering and scientific skill they have applied to making lower grade ores commercially profitable, but unless there is a reasonable price for their products, there will be little incentive to continue.

8. I should like to point out also the fact that although competing in the world market, the American lead and zinc producer has to buy much of his equipment in a protected market, and that even his foodstuffs come, in part, from an agriculture that is heavily subsidized.

However, his wage rates are established mainly by and related to the rates of other industries, such as coal and iron mines, many of which are captive mining operations unaffected by international competition, but amenable, because of their unique physical condition, to a degree of mechanization unapplicable to the type of mining in which most lead and zinc is found. Last but not least, he is taxed to provide financial and other assistance to some foreign mining operations under our foreign-aid program.

9. I am confident that the lead and zinc mining industry would like to stand squarely on its own feet with no Government assistance whatsoever, but this is impossible in the economic circumstances under which lead and zinc mining has to be conducted in the United States.

The traditional method for aiding the mining industry when it requires assistance is through an appropriate tariff, and I am gratified to see that the long-range mineral program of the Administration recognizes this approach, for it must have explored every avenue open to the Government, such as subsidies, quotas, and stockpiling, to help foster a strong and vigorous domestic mining industry.

10. At the time the Tariff Act of 1930 was adopted, the protection accorded lead mining in the United States was roughly 50 percent. The miners made no attempt at that time to increase their rate. It was the same rate that had existed since the Fordney-McCumber Tariff Act of 1922.

They could not, of course, have foreseen that the Nation would, in a matter of a few years, be engaged in World War II, and that inflation would completely undermine the lead and zinc tariff structure established by Congress.

Obviously, the specific tariff rates on lead and zinc fixed by Congress proved of diminishing value as inflation progressed. Had the miners been protected by an ad valorem rate of 50 percent instead of a specific rate, they would not be before you today endorsing an upward adjustment of their rates.

The spirit of the Reciprocal Trade Agreements Act contemplated a reduction not to exceed 50 percent. Subsequent revisions of the act permitted a further cut of 50 percent, but none intended to reduce the tariff protection from 50 percent to the 8 percent which prevailed just a few months ago.

11. I am appending a table which shows that foreign producers have swamped the domestic lead and zinc markets with imports to a degree that must be corrected.

In some cases, practically the entire mine production abroad has sought a home in the United States. Now it is all very well for us to permit our foreign friends to share our markets, but I submit that when they flood the country with practically their entire production or the major portion of it, and thereby depress our own markets or force our domestic mines to close, it is time to call a halt. Two tables appending show the extent to which foreign lead and zinc mines ship their outputs to the United States.

12. Coming to the specific bill, S. 2376, unfortunately, adjustments upward of the lead and zinc tariffs as provided in S. 2376, which broadly follow the recommendations of the Tariff Commission of 1954, are not sufficient to give the assistant the domestic mining industry needs currently.

In this connection, the President observed in the letter he wrote to the chairman of the Finance Committee on August 20, 1954, as follows:

> After a thorough review of the lead-zinc problem, I am convinced that a serious question exists as to the magnitude of the direct benefits that could be expected from the recommended tariff increases.

It was one of the reasons given for resorting to military stockpiling and barter to aid the lead and zinc miners instead of tariff measures.

13. With respect to the provision of S. 2376, we respectfully submit the following:

(a) The peril point of 17 cents for lead and 14½ cents for zinc conforms to the early 1954 studies by the Tariff Commission. Noteworthy, domestic prices of 16 cents for lead and 13½ cents for zinc were supported by means of governmental stockpiling and barter programs. Also, with respect to the proposed peril point, during the Korean conflict by governmental order ceiling prices of 17 cents to 19 cents for lead and 17½ cents to 19½ cents for zinc were established; and during this time tariffs on lead and zinc were suspended subject to reinstatement if either metal dropped below 18 cents. This is clearly Government recognition of the reasonableness of the peril points envisaged by S. 2376.

(b) We respectfully submit our conclusion that the schedule of import excise tax rates proposed in S. 2376 do not meet the criteria of the peril points developed over the past few years as I have indicated below.

Take zinc for example. Today's domestic price is 10 cents. If the administration's schedule of excise tax were in effect—with the proposed suspension of present tariff—the domestic price would only be between 11 cents and 11½ cents—2 cents excise tax minus 0.7 present tariff leaves net gain of 1.3 cents. Thus, the schedule of excise tax in S. 2376 falls far short of providing a domestic peril point price which was intended and one at which the United States industry can regain its strength.

Similarly for lead with today's price of 14 cents. Subtracting present tariff from the proposed excise tax, the domestic price would still be less than the peril point of 17 cents. In addition should lead drop further to 13 cents or 12 cents, as well it can, the proposed excise tax falls short of its intent to provide adequate peril point.

The following tabulation will help clarify the differences in the tariff and excise schedules, present and prospective:

Pig lead

[All figures in cents per pound]

	United States price			
	17 cents or above	16 to 17 cents	15 to 16 cents	Below 15 cents
1. Present tariff	1 1/16	1 1/16	1 1/16	1 1/16
2. Tariff Commission's recommendations, May 1954	2.55	2.55	2.55	2.25
3. Administration bill	0	1.0	2.0	3.0
4. Industry recommendations	0	3.0	4.0	5.0

Slab zinc

	United States price			
	14½ cents or above	13½ to 14½ cents	12½ to 13½ cents	Below 12½ cents
1. Present tariff	0.7	0.7	0.7	0.7
2. Tariff Commission's recommendations, May 1954	2.1	2.1	2.1	2.1
3. Administration bill	0	.5	1.25	2.0
4. Industry recommendations	0	3.0	4.0	5.0

While the above figures apply to imported refined lead or zinc, the schedule for imported crude ore or concentrates which "industry recommendations" will suggest will be 70 percent of line 4.

At the "peril point" of 17 cents for lead and 14½ cents for zinc, the industry proposes a 3-cent excise tax to provide an effective deterrent for unneeded imports to break the domestic price below these peril points. In addition, 2 more 1-cent increases are proposed below this to ultimately provide the maximum of 5 cents needed to protect the peril point of S. 2376.

In the case of zinc today with a domestic price of 10 cents, the 5-cent excise tax would prevent importers who will sell zinc for 9 to 10 cents from breaking the domestic zinc price below 14½ cents.

The same is true of lead. Importers who will sell lead at 11 to 12 cents will be unable to break the domestic price below a peril point at which United States industry can compete.

One of the most important provisions of S. 2376 may be overlooked. The only way any importer will be subject to the excise tax or tariff is in the event unneeded imports break the domestic price below the peril points. By importing amounts the United States needs and by not flooding our market with unneeded metal, the importer can be relieved of payment of any excise tax or tariff. But the past well proves that immediately behind the peril point must be an effective safeguard to carry out the intent of the administration bill.

(c) Although we believe that S. 2376 intended constructively to minimize tariff fluctuations by reducing quarterly changes in the rate, we point out that this good intention could readily be abused by the importers to undermine the purpose of the bill due to the timelag in determination of imposition of the import tax. We therefore respectfully suggest shortening the quarterly period to a monthly period for tax rate changes.

With reference to the operation of bonded smelting warehouses, we recommend that existing practice which has been perfected by Government and industry over a long period of years be retained.

14. I again wish to express the gratitude of the industries I serve, for the attention given the serious problem we face and we pledge our wholehearted cooperation in seeking a solution in the public interest. The issue really narrows down to an answer to the question: Shall we or shall we not have a strong and vigorous lead and zinc mining industry in the United States?

That question having been answered in the affirmative by the President, by his Cabinet Mineral Policy Committee, and at times by Congress, we believe that S. 2376, if amended as suggested, gives the best answer and urge that it will be universal appeal:

First, to the United States industry who are assured of a price situation required to maintain a healthy and thriving domestic mining industry;

Second, to the importer who is able to provide needed imports free of any duty or excise tax;

Third, to the consuming industry there will be provided an ample supply of both metals without violent price fluctuations;

Fourth, to the United States Government who is assured a strong domestic industry for national security and defense, and

Fifth, for long range assurance which will fully justify continued development of our natural resources so badly needed for our economy and defense.

In addition to these 3 tables I am also submitting 2 other tables showing the record for prices of lead and zinc on the London market and the United States market over a period of years.

(The five tables referred to follow:)

TABLE 1

Percent of foreign lead mine production sold to the United States, in short tons, 1956

Country	Lead mine production	Shipped to United States (lead content)	Exports to United States as a percent of mine production
Canada	189,000	52,800	27.9
Mexico	220,000	91,000	41.4
Peru	133,500	88,600	66.4
Australia	313,400	113,000	32.9
Union of South Africa	85,700	44,200	51.6
Yugoslavia	96,300	38,700	40.1
Bolivia	23,000	17,200	74.9

Percent of foreign zinc mine production sold to the United States, in short tons, 1596

Country	Zinc mine production	Shipped to United States (zinc content)	Exports to United States as a percent of mine production
Canada	419,400	294,000	70.2
Mexico	274,300	210,000	76.7
Peru	176,600	105,100	59.5
Australia	261,500	26,100	10.0
Union of South Africa	20,500	13,400	64.4

TABLE 2.—*Lead—United States mine production and imports*

Year	Average domestic price	United States mine production	Total imports	Imports in percent of production
1930	$5.52	558,000	78,000	14.0
1931	4.24	405,000	53,000	13.1
1932	3.18	293,000	34,000	11.8
1933	3.87	273,000	8,000	2.8
1934	3.86	287,000	13,000	4.6
1935	4.06	331,000	24,000	7.2
1936	4.71	373,000	24,000	6.3
1937	6.01	465,000	41,000	8.8
1938	4.74	370,000	64,000	17.3
1939	5.05	414,000	87,000	24.0
1940	5.18	457,000	282,000	61.8
1941	5.79	461,000	381,000	82.6
1942	6.48	496,000	492,000	99.3
1943	6.50	453,000	319,000	70.4
1944	6.50	417,000	320,000	76.7
1945	6.50	391,000	300,000	76.8
1946	8.11	336,000	159,000	47.5
1947	14.67	384,000	228,000	59.3
1948	18.04	387,000	347,000	89.7
1949	15.36	404,000	399,000	98.9
1950	13.30	431,000	542,000	123.7
1951	17.49	390,000	258,000	65.5
1952	16.47	375,000	637,000	169.9
1953	13.49	343,000	552,000	161.2
1954	14.05	325,000	443,000	136.3
1955	15.14	338,000	659,000	194.9
1956	16.01	348,000	479,000	137.6
1957 (4 months)	16.00	122,000	170,000	139.9

TABLE 3.—*Zinc—United States mine production and imports*

Year	Average domestic price	United States mine production	Total imports	Imports in percent of production
1930	$4.56	595,000	3,000	0.5
1931	3.64	410,000	1,000	.2
1932	2.88	285,000	2,000	.7
1933	4.03	384,000	4,000	1.0
1934	4.16	329,000	16,000	3.6
1935	4.33	518,000	15,000	2.9
1936	4.90	576,000	12,000	2.3
1937	6.52	626,000	46,000	7.3
1938	4.61	517,000	26,000	5.0
1939	5.11	581,000	67,000	11.5
1940	6.34	665,000	197,000	29.6
1941	7.47	749,000	195,000	26.0
1942	8.25	768,000	320,000	41.6
1943	8.25	744,000	571,000	76.7
1944	8.25	719,000	486,000	67.7
1945	8.25	614,000	479,000	77.9
1946	8.73	575,000	377,000	65.6
1947	10.50	638,000	370,000	58.1
1948	13.59	630,000	357,000	56.8
1949	12.14	593,000	368,000	62.1
1950	13.87	623,000	428,000	68.6
1951	18.00	673,000	390,000	58.1
1952	16.22	661,000	565,000	85.5
1953	10.86	547,000	755,000	138.0
1954	10.86	473,000	612,000	129.4
1955	12.30	515,000	687,000	133.4
1956	13.49	538,000	771,000	143.3
1957 (4 months)	13.50	195,000	276,000	141.5

TABLE 4.—*Metal price—zinc (corrected) (in cents)*

ZINC—LONDON

[$4.03 through Sept. 17, 1949]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	12.594	12.651	19.071	10.880	18.875	23.750	11.124	9.128	10.730	12.604	12.907
February	12.594	13.493	19.071	10.688	18.875	23.750	10.268	9.028	11.182	12.551	12.431
March	12.594	13.493	19.071	10.864	18.875	23.750	9.903	9.282	11.031	12.695	12.077
April	12.594	13.493	18.261	11.611	20.000	23.750	8.914	9.956	11.133	12.280	12.297
May	12.594	13.493	16.685	12.847	20.000	22.750	8.629	9.941	11.210	11.852	10.722
June	12.594	13.493	14.411	15.572	20.000	17.146	8.856	9.990	11.424	11.751	9,288
July	12.594	13.493	11.996	15.938	22.164	16.250	9.166	9.695	11.403	11.685	
August	12.594	13.493	11.696	16.063	23.750	15.370	9.118	9.415	11.214	11.950	
September	12.594	13.493	11.109	17.817	23.750	15.384	8.776	10.077	11.486	12.043	
October	12.594	16.552	10.389	18.875	23.750	14.769	9.223	10.316	11.362	11.966	
November	12.594	16.552	10.779	18.875	23.750	13.875	9.419	10.153	11.554	12.596	
December	12.594	19.071	10.704	18.875	23.750	13.875	9.288	10.340	12.305	12.671	
Year	12.594	14.398	14.437	14.902	21.477	17.552	9.338	9.783	11.333	12.220	

ZINC—DOMESTIC

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	10.500	11.077	17.500	9.763	17.500	19.500	12.588	9.760	11.500	13.431	13.500
February	10.500	12.000	17.500	9.750	17.500	19.500	11.483	9.375	11.500	13.500	13.500
March	10.500	12.000	17.056	9.940	17.500	19.500	11.029	9.637	11.500	13.500	13.500
April	10.500	12.000	14.058	10.664	17.500	19.500	11.000	10.250	11.925	13.500	13.500
May	10.500	12.000	11.880	11.973	17.500	19.500	11.000	10.286	12.000	13.500	11.923
June	10.500	12.000	9.548	14.647	17.500	15.740	11.000	10.960	12.232	13.500	10.860
July	10.500	12.482	9.360	15.000	17.500	15.000	11.000	11.000	12.500	13.500	
August	10.500	15.000	10.000	15.052	17.500	14.061	10.982	11.000	12.500	13.500	
September	10.500	15.000	10.005	17.180	17.500	13.983	10.180	11.408	12.928	13.500	
October	10.500	15.240	9.320	17.500	19.500	13.297	10.000	11.500	13.000	13.500	
November	10.500	16.786	9.750	17.500	19.500	12.500	10.000	11.500	13.000	13.500	
December	10.500	17.500	9.753	17.500	19.500	12.500	10.000	11.500	13.000	13.500	
Year	10.500	13.589	12.144	13.866	18.000	16.215	10.855	10.681	12.299	13.494	

TABLE 4.—*Metal price—zinc (corrected) (in cents)*—Continued

DIFFERENCE

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	2.094	1.574	1.571	1.117	1.375	4.250	(1.464)	(0.632)	(0.770)	(0.827)	(0.593)
February	2.094	1.493	1.571	.938	1.375	4.250	(1.215)	(.347)	(.318)	(.949)	(1.069)
March	2.094	1.493	2.015	.924	1.375	4.250	(1.126)	(.355)	(.469)	(.805)	(1.423)
April	2.094	1.493	4.203	.947	2.500	4.250	(2.086)	(.294)	(.792)	(1.220)	(1.203)
May	2.094	1.493	4.805	.874	2.500	3.250	(2.371)	(.345)	(.790)	(1.648)	(1.201)
June	2.094	1.493	4.863	.925	2.500	1.406	(2.144)	(.970)	(.808)	(1.749)	(1.572)
July	2.094	1.031	2.636	.938	4.664	1.250	(1.834)	(1.305)	(1.097)	(1.815)	----------
August	2.094	(1.507)	1.696	1.011	6.250	1.309	(1.864)	(1.585)	(1.286)	(1.550)	----------
September	2.094	(1.507)	1.104	.717	6.250	1.401	(1.404)	(1.331)	(1.442)	(1.457)	----------
October	2.094	1.312	1.069	1.375	4.250	1.472	(.777)	(1.184)	(1.638)	(1.534)	----------
November	2.094	(.234)	1.029	1.375	4.250	1.375	(.581)	(1.347)	(1.446)	(.904)	----------
December	2.094	1.571	.951	1.375	4.250	1.375	(.712)	(1.160)	(.695)	(.829)	----------
Year	2.094	.809	2.293	1.036	3.477	1.337	(1.517)	(.898)	(.966)	(1.274)	----------

NOTE.—Parentheses ( ) denote red figures.

TABLE 5.—*Metal price—lead (corrected) (in cents)*

LEAD—LONDON

[$4.03 through Sept. 17, 1949]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	12.594	16.192	22.129	12.125	17.000	21.875	12.453	10.807	13.008	14.821	14.532
February	12.594	16.192	22.129	12.125	17.000	21.250	11.781	10.344	12.959	14.922	14.144
March	12.709	16.192	22.129	11.074	17.000	20.846	11.399	10.794	13.001	15.141	14.138
April	16.192	16.192	19.376	10.619	20.000	20.375	10.277	11.693	13.058	14.464	13.984
May	16.192	16.192	18.049	11.670	20.000	17.180	10.177	11.799	12.896	13.943	12.432
June	16.192	16.192	15.454	11.846	20.000	16.354	11.086	12.182	12.852	14.153	11.461
July	16.192	16.192	14.648	11.596	21.442	16.597	11.644	11.961	13.243	14.207	----------
August	16.192	16.192	15.583	12.884	22.500	16.375	11.920	12.114	13.312	14.508	----------
September	16.192	16.192	15.233	15.692	22.500	16.375	11.668	12.668	13.446	14.647	----------
October	16.192	20.150	13.803	16.000	21.875	11.305	11.567	13.586	13.360	14.432	----------
November	16.192	20.150	12.792	17.000	21.875	11.685	11.777	13.512	13.521	14.479	----------
December	16.192	20.150	12.125	17.000	21.875	12.171	11.298	13.027	14.168	14.460	----------
Year	15.293	17.181	16.954	13.311	20.276	17.032	11.437	12.056	13.233	14.515	----------

LEAD—DOMESTIC

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	12.931	15.000	21.500	12.000	17.000	19.000	14.192	13.260	15.000	16.151	16.000
February	13.182	15.000	21.500	12.000	17.000	19.000	13.500	12.818	15.000	16.000	16.000
March	14.957	15.000	18.907	10.963	17.000	19.000	13.404	12.935	15.000	16.000	16.000
April	15.000	17.212	15.154	10.630	17.000	18.923	12.683	13.904	15.000	16.000	16.000
May	15.000	17.500	13.720	11.721	17.000	15.731	12.750	14.000	15.000	16.000	15.385
June	15.000	17.500	12.000	11.808	17.000	15.257	13.413	14.106	15.000	16.000	14.320
July	15.000	17.808	13.562	11.660	17.000	16.000	13.683	14.000	15.000	16.000	----------
August	15.000	19.500	15.032	12.926	17.000	16.000	14.000	14.058	15.000	16.000	----------
September	15.000	19.500	15.050	15.800	17.000	16.000	13.740	14.598	15.100	16.000	----------
Ocrober	15.000	19.500	13.420	16.040	19.000	14.404	13.500	14.965	15.500	16.000	----------
November	15.000	21.500	12.522	17.000	19.000	14.159	13.500	15.000	15.500	16.000	----------
December	15.000	21.500	12.000	17.000	19.000	14.125	13.500	15.000	15.558	16.000	----------
Year	14.673	18.043	15.364	13.296	17.500	16.467	13.489	14.054	15.138	16.013	----------

TABLE 5.—*Metal price—lead (corrected) (in cents)*—Continued

DIFFERENCES

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	(0.337)	1.192	0.629	0.125	----------	2.875	(1.739)	(2.453)	(1.992)	(1.330)	(1.468)
February	(.588)	1.192	.629	.125	----------	2.250	(1.719)	(2.474)	(2.041)	(1.078)	(1.856)
March	(2.248)	1.192	3.222	.111	----------	1.846	(2.005)	(2.141)	(1.999)	(.859)	(1.862)
April	1.192	(1.020)	4.222	(.011)	3.000	1.452	(2.406)	(2.211)	(1.942)	(1.536)	(2.016)
May	1.192	(1.308)	4.329	(.051)	3.000	1.449	(2.473)	(2.201)	(2.104)	(2.057)	(2.953)
June	1.192	(1.308)	3.454	.038	3.000	1.097	(2.327)	(1.924)	(2.148)	(1.847)	(2.859)
July	1.192	(1.616)	1.086	(.064)	4.442	.597	(2.039)	(2.039)	(1.757)	(1.793)	----------
August	1.192	(3.308)	.551	(.042)	5.500	.375	(2.080)	(1.944)	(1.688)	(1.492)	----------
September	1.192	(3.308)	.183	(.108)	5.500	.375	(2.072)	(1.930)	(1.654)	(1.353)	----------
October	1.192	.650	.383	(.040)	2.875	(3.099)	(1.933)	(1.379)	(2.140)	(1.568)	----------
November	1.192	(1.350)	.270	----------	2.875	(2.474)	(1.723)	(1.488)	(1.979)	(1.521)	----------
December	1.192	(1.350)	.125	----------	2.875	(1.954)	(2.202)	(1.973)	(1.390)	(1.540)	----------
Year	.620	(.862)	1.590	.015	2.776	.565	(2.052)	(1.998)	(1.905)	(1.498)	----------

NOTE.—Parentheses ( ) denote red figures.

Senator BENNETT. Thank you very much, Mr. Schwab.

Senator Carlson, do you have any questions?

Senator CARLSON. Only this, Mr. Schwab: I appreciate your statement, because Kansas, as you well know, the southeast section of it is in the tristate area. Kansas, Missouri, and Oklahoma are suffering seriously from a price I assume that is causing many of our mines to be closed, and they are having difficulty in operating those that are.

I wonder if I read this correctly at page 7, where you have this table. Do I understand that you recommend a 3-cent tariff when the price of leads gets below 17 cents and 4 cents when it is 15 to 16 cents, and when it gets below 15 cents, ask for 5 cents?

Mr. SCHWAB. That is correct, sir.

Senator CARLSON. And your folks feel they can operate on that basis?

Mr. SCHWAB. Yes; that will support the peril point, speaking of lead now, maintaining this 17-cent peril point.

Senator CARLSON. Thank you, sir.

Senator BENNETT. There are 1 or 2 notes that I made in your text as we went through. You show the world production of lead, and on page 3 of zinc. With production in 1956, abroad, of 2,600,000 tons, and United States mines of 538,000, for a total of 3,139,000 tons, do you have any statement as to how far that is above world consumption? How much surplus have we been piling up that must eventually be taken out of the market at those rates of production?

Mr. SCHWAB. No; I don't have world consumption statistics. I would be very pleased to supply them for the record.

I do not have them with me today. For each of these columns there could be a figure inserted at the bottom of world consumption also.

Senator CARLSON. I think it would be important to the committee to know just how serious this production surplus is, and how serious a threat it will continue to be as it hangs over the market.

(The following was later received for the record:)

Lead, 1954–56—Free-world mine production, free-world consumption primary lead and free-world excess production

	1954	1955	1956
Supply:			
United States mine production	325,419	338,025	352,826
Estimated free-world production outside the United States	1,513,232	1,576,039	1,551,477
Total free-world supply	1,838,651	1,914,064	1,904,303
Industrial demand:			
United States consumption of primary lead (total consumption less secondary lead)	[1] 613,946	[1] 710,593	[1] 679,153
Estimated free-world consumption outside the United States	1,076,231	1,134,828	1,098,606
Total free-world consumption	1,690,177	1,845,421	1,777,759
Excess of supply over industrial demand	+148,474	+68,643	+126,544

[1] This, of course, does not include any acquisitions or stocks held in the national stockpile.

NOTE.—Excess of supply over industrial requirements varied from 3.6 percent in 1955 to 8.1 percent in 1954 and averaged 6.1 percent for the 3-year period.

Zinc, 1954–56—Free-world mine production, free-world consumption primary zinc, and free-world excess production

	1954	1955	1956
Supply:			
United States mine production	473,471	514,671	537,643
Estimated free-world production outside the United States	1,896,744	2,051,558	2,108,936
Total free-world supply	2,370,215	2,566,229	2,646,579
Industrial demand:			
United States consumption of slab (primary)	816,286	1,053,770	918,027
United States zinc ores for pigments, etc	99,247	114,000	[1] 110,000
Total United States consumption	[2] 915,433	[2] 1,167,770	[2] 1,028,027
Estimated free-world consumption outside the United States	1,354,996	1,443,528	1,400,331
Total free-world consumption (primary)	2,270,529	2,611,298	2,428,358
Excess of supply over industrial demand	+99,686	−45,069	+218,221

[1] Estimate.
[2] This, of course, does not include any acquisitions or stocks held in the national stockpile.

NOTE.—Excess of supply over industrial requirements varied from −1.7 percent in 1955 to 8.2 percent in 1956 and averaged 3.6 percent for the 3-year period.

Mr. SCHWAB. In general, Mr. Chairman, I think everyone is aware there is overproduction worldwide of zinc.

Senator CARLSON. Is that true for lead, too?

Mr. SCHWAB. Yes, sir; over and above consumption.

Senator CARLSON. You have said under 6, in effect, that since the Government was responsible for the situation which created the stimulation, and brought about what we can assume to be a surplus of world production, it should be prepared to correct the abnormality it has created as soon as it is apparent that the conditions warrant correction.

I suppose in part the administration thought it was moving in that direction with its stockpiling program, but that in turn turned out to be a greater stimulation?

Mr. SCHWAB. That is true, sir. As a matter of interest, the imports into the United States of slab zinc for the 16-month period, the year 1956 and the first 4 months of 1957, the imports of slab zinc into the United States equaled in quantity to the total zinc that the Government acquired for stockpiling.

Senator CARLSON. I hope somebody will put a schedule into the record which might show that relationship. Is such information available on a year-by-year basis for the period of the stockpiling, to show the relationship between the imports and the amount acquired for the stockpiling?

Mr. SCHWAB. While stockpiling figures, as I understand it, are not released, by a series of subtractions from published figures you can come very close to the amounts that were bought for stockpiling. They are published figures, and we would be happy to supply those figures for you.

Senator CARLSON. I think the committee would like to have those in the hearings.

Slab zinc delivered to U. S. Government, to May 31, 1957

[In tons]

	AZI [1]	Duty free [2]	Total
1947	140, 230	16, 315	156, 545
1948	57, 598	2, 596	60, 194
1949	91, 526	21, 755	113, 281
1950	128, 256		128, 256
1951	39, 949		39, 949
1952	36, 626	4, 070	40, 696
1953	42, 332	19, 938	62, 270
1954	108, 957	10, 846	119, 803
1955	87, 200	9, 854	97, 054
1956	157, 014	79, 924	236, 938
Total	889, 688	165, 298	1, 054, 986
1957—January	15, 377	14, 534	29, 911
February	10, 905	5, 996	16, 901
March	25, 608	5, 760	31, 368
April	23, 921	17, 961	41, 882
May	26, 858	5, 925	32, 783
Total	102, 669	50, 176	152, 845
Total through May	992, 357	215, 474	1, 207, 831

[1] Domestic smelter deliveries of slab zinc.
[2] Slab zinc imports into the United States entered duty free under Executive Order No. 9177 dated May 30, 1942.

Suppose this bill were passed in the form you recommended, and suppose there is a comparatively high surplus overhanging the market so that foreign producers are still willing to sell at prices which would break the peril point. What protection would the American industry have then?

Mr. SCHWAB. That is why we suggest the 3 cents excise tax right behind the peril point. If unneeded imports break the domestic price, let's take lead, for instance, below 17 cents, then those imports are going to be required to pay 3 cents a pound excise tax.

Senator BENNETT. But I was taking you all the way to a point where a man has a distress stock of material and says, "Well, I'll pay the 5 cents and still flood the market"; that is the thing I am trying to get at.

Is this actually a solution for the problem in the face of present foreign prices of production, and the rise being of a high overhanging surplus?

Are there any figures which would indicate to us how great a threat there is against a point 3 cents below the peril point?

Mr. SCHWAB. That would mean in the instance that I cite that an importer selling lead on the United States market for 15 cents would be actually receiving net 10 cents back at the mine.

In answer to that, I would say that it is the best judgment of the people I represent, Senator, that a great deal of the production of foreign lead cannot be produced at prices much below 10 cents.

Senator BENNETT. They are now getting what?

Mr. SCHWAB. Fourteen cents on the domestic market.

Senator BENNETT. So you think there may be some producers that still have a little margin down to a point approaching 10?

Mr. SCHWAB. We believe so; yes, sir.

Senator CARLSON. Mr. Schwab, right on that point, if the chairman doesn't object, if this 5 cents you recommend wouldn't stop it, the 3 cents would not, and the Tariff Commission's position would not.

Mr. SCHWAB. I think that is our position; yes, sir. We are somewhat in the position of trying to suggest an amendment to this bill that is realistic from our standpoint, and one which doesn't appear to someone who doesn't go into this thing thoroughly that we have gone too far.

Senator BENNETT. Isn't it also true, Mr. Schwab, that the figures contained both, in the administration's schedule, are based on the current price levels, on the current price situation? Suppose inflation should continue to run, and cost in the domestic industry should rise, under this program would you have to come back a year or 2 years from now and ask that the peril point be raised?

Mr. SCHWAB. I would think that if the peril point proved to be inadequate to the process that you talk about; yes, sir. We would be somewhat in the position that I understand some of our friends in the copper-mining industry are now getting into, and that is their peril point is no longer realistic for United States domestic production.

Senator BENNETT. In the face of that, as I understand your testimony, you would not recommend any other form of control, export control, or any allocations of quotas, but would prefer to continue to operate a program involving a peril point and some excise-tax protection?

Mr. SCHWAB. That is our present choice; yes, sir. The application of quotas to lead and zinc is an extremely complicated situation, because of metallurgical grades, chemical analysis of various products, and the same is probably true of lead.

The position of our committee has been trying to follow this proposed piece of legislation just as far as we can, and suggest only those amendments needed to do the job currently; yes, sir, that is all.

Senator BENNETT. I have one other question, though you may not be the right person of whom the question should be asked. In your statement you discuss the conditions in the mining industry of other countries; you say:

> Last but not least, he—the American lead and zinc producer—is taxed to provide financial and other assistance to some foreign mining operations under our foreign-aid program.

Do you have any records or can you supply the committee with any information which would indicate the extent to which American foreign aid is still effective with respect to local mining operations? I have the impression that aid in this direction was given comparatively many years ago, 6, 8, or 10 years ago, and I do not know of any current aid that is being supplied to foreign operations.

I have sympathy with your position, but I just wonder whether there are any figures which would demonstrate whether this charge that financial and other assistance is being provided foreign mining operations has very much current validity. I can realize that aid given 10 years ago, which opened the mine, enables it or may enable it to operate now, but is there additional foreign mining assistance being given; are there new mines being brought in abroad?

Mr. SCHWAB. I am not aware of any recently, and I am again talking about the period you are speaking of.

However, certainly, our governmental stockpiling program was of great assistance to these people.

Senator BENNETT. It was intended to be of assistance to the domestic industry?

Mr. SCHWAB. Yes, sir. Maybe I should requote the figure I spoke of again, that in that 16-month period, 1956 and 4 months into 1957, the total acquisition for the stockpile equaled total imports of slab zinc, imports of slab zinc in quantity. I would say that that was aid or assistance in that manner, Senator.

Senator BENNETT. I have no further questions. The Senator from Nevada has come in. The Senator from Kansas and I have been questioning the witness in your absence.

Before you start, may I say that we are expecting a vote almost momentarily, and we will recess when we are called to vote.

Senator MALONE. You are Mr. Charles Schwab?

Mr. SCHWAB. Yes, sir.

Senator MALONE. Are you any relation to the Charlie Schwab that we used to hear a good deal about in business?

Mr. SCHWAB. No, sir.

Senator MALONE. You are chairman of the Emergency Lead-Zinc Committee?

Mr. SCHWAB. That is correct.

Senator MALONE. How long have you been interested in this picture, sir?

Mr. SCHWAB. Quite a while, Senator. My position as chairman of the committee, however, quite recent—not over 6 weeks old. However, I personally participated in the hearings before the Tariff Commission on escape-clause relief, and at that time represented the Pacific Northwest, particularly the States of Idaho and Washington.

Senator MALONE. When was that?

Mr. SCHWAB. November of 1953.

Senator MALONE. I just wanted to know how far back I had to start so that you would understand.

Mr. SCHWAB. I have been a lead-zinc miner, if you want to know that, for now approximately 15 years.

Senator MALONE. When did your troubles start in the lead-zinc industry? When did they start lowering the tariff to make up that difference in the wages and the costs of doing business here and abroad?

Mr. SCHWAB. As I recall, it was 1951 when the tariff was reduced. However, our troubles started really, Senator, in 1949, concurrently with the devaluation of the British pound sterling.

Senator MALONE. Isn't the manipulation of the price of the foreign money in terms of the dollar—would be time of manipulation—that makes a difference in the trade relations?

Mr. SCHWAB. Yes, sir.

Senator MALONE. Would you explain that for the benefit of the committee; how it works?

Mr. SCHWAB. If memory may serve me well enough Senator, in 1949 the value of the pound sterling expressed in American dollars was reduced to something around $4 to about $2.90.

Senator MALONE. $4.03 to $2.80. What effect did that have?

Mr. SCHWAB. It meant at that time that a producer within the pound sterling area with a devalued currency in his country could produce his metals, pay his labor and his costs with the devalued currency, import them into the United States far cheaper in terms of American dollars than previously.

Senator MALONE. In other words, the manipulation of their currency really lowered the wages and costs of doing business in that country?

Mr. SCHWAB. The true value thereof; yes, sir.

Senator MALONE. I must say to you, Mr. Schwab, you are a breath of fresh air. I have been trying to explain that to this committee now for several years, and to the Senate, and I believe that you have in one sentence done a pretty fair job.

Now is that the case in many of these countries, that when you find a peril point, which means where the tariff ought to be under the present conditions—that is what a peril point is; isn't it?—that below that point it would imperil the industry under the present conditions?

Mr. SCHWAB. That is our understanding; yes, sir.

Senator MALONE. When you set that peril point, then, and just right, assume it is exactly right under present conditions, it would equalize the labor costs and the cost of doing business here and in our chief competing nation. And after the ink is dry on one of those 3-year contracts, they then manipulate their currency in terms of the dollar so the effect is what you say it was when they lowered the pound in dollar value. Then that throws the peril point out of line; doesn't it?

Mr. SCHWAB. Yes, sir.

Senator MALONE. And that can be done 10 minutes after the ink is dry on a 3-year agreement; couldn't it?

Mr. SCHWAB. I imagine it could, sir.

Senator MALONE. For your information, it has been done?

Mr. SCHWAB. Yes.

Senator MALONE. Perhaps 10 minutes might be a little short, but within a few days, and then they are right back where you started from, and the peril point is ineffective; is that right?

Mr. SCHWAB. Yes, sir.

Senator MALONE. I guess that ends the peril point then. In other words, something that was thrown into this committee to sell the public on another extension of the 1934 Trade Agreements Act, and that has been done ever since 1934, hasn't it; been extended since 1934?

Mr. SCHWAB. Yes, sir. I don't personally know that it was done for that reason, sir, of course.

Senator MALONE. Maybe some people didn't know about the reason, but I did, and I listened to all the argument here and debate, and each one of these things was always going to have the domestic industry from encroachment of the cheap foreign labor; wasn't it?

Mr. SCHWAB. I believe that's right, sir.

Senator MALONE. That is what it is for. Then you had an escape clause, that if you made a strong enough case you could escape from this. It was called an escape clause because no on ever escaped, I guess. You never did escape; did you?

Mr. SCHWAB. We received the recommendations but we did not get the increase.

Senator MALONE. You didn't escape?

Mr. SCHWAB. No; we didn't escape.

Senator MALONE. Now there are two ways of doing these things, and, of course, for a long time the Congress took its own responsibility and had a principle set down. You do know that the Constitution of the United States directs Congress; it is the constitutional responsibility of Congress to regulate foreign trade and commerce; you do know that?

Mr. SCHWAB. Yes, sir.

Senator MALONE. Article I, section 8, and in that same section it gives the Congress the duty, exercise, or whatever you want to call it—we call it a tariff—to do the job; you understand that?

Mr. SCHWAB. That's right.

Senator MALONE. In 1934, less than 4 years after the 1930 Tariff Act passed, which directs the Tariff Commission to determine the cost of production of a domestic product and the same product or a like product in a foreign nation, considering the effective labor cost and the taxes and everything, and recommend that, as a tariff—you are familiar with that paragraph?

Mr. SCHWAB. Yes, sir.

Senator MALONE. But the 1934 Trade Agreements Act nullified that paragraph because they transferred from the Congress the responsibility of regulating foreign trade to the Executive; did it not?

Mr. SCHWAB. I believe it did.

Senator MALONE. Don't you know that?

Mr. SCHWAB. I am not too familiar with the field you are getting into, Mr. Malone. I have read a great deal of your material, and I believe that is true as of today; yes.

Senator MALONE. You don't even know what happened to you; do you?

Mr. SCHWAB. Yes; I think we do.

Senator MALONE. Do you know that that is what happened to you?

Mr. SCHWAB. That is exactly what happened to us; yes, sir.

Senator MALONE. Why, of course, it is. Now when the Congress transferred that responsibility to the President, I read this morning an excerpt from Dulles' testimony where he testified—I didn't read that, but it is here in his testimony, and I would advise you if you are really interested to get that part 4 of the testimony on H. R. 1, March 21, 22, and 23, 1955, where Dulles testified that the 1934 Trade Agreements Act as written, not only gave the Executive or the President the constitutional responsibility of Congress to regulate foreign commerce or foreign trade, but in that act gave him authority to transfer to Geneva, where it now is under 34 foreign competitive nations, and where they are busily engaged in still reducing further the tariffs on American products. You know that; don't you?

Mr. SCHWAB. I don't know it firsthand, sir. I haven't read the portion of that that you are talking about, but I understand it.

Senator MALONE. I don't understand a thing that is 24 years old, that the experts and the people who are trying to handle this trade don't understand the mechanism by which they have been put out of business.

Mr. SCHWAB. I mean I think we are generally familiar with the matter, Senator. We are no experts on the subject.

Senator MALONE. You do know that that is going on in Geneva now?

Mr. SCHWAB. Yes, sir.

Senator MALONE. And we have 1 vote out of 35 sitting there, and they are sitting there now, and in October there is supposed to be a new set of lower tariffs come out. You will not be allowed there. If you would like to try to get in there we will help you, but I don't think you could make it, so that in October you may have a still further reduction. We don't know that you will, but you don't know that you won't, either, until it comes out. You will have nothing to do with it, you can count on that. Now, I am not finished with Mr. Dulles. He not only testified that that was a fact, but he testified that the act gave them full authority to do anything in the way of lowering duties and tariffs that they thought in the long run, talking about the executive department, would be beneficial to the United States, that the State Department or the President thought was beneficial; not Congress. Therefore, if lowering the tariff on zinc and lead—he didn't mention those two, but on any product—and even if it resulted in a curtailment of the production of that product in this country or elimination of it, but they judged that by making allies more friendly and cementing them to us, or the overall benefit internationally—this is direct testimony—that this would be of benefit to help do that, he could do that under the act, put an industry out of business or curtail it. Are you familiar with his interpretation of that act to that extent?

Mr. SCHWAB. I have never read that testimony, Senator, but I believe that is the general impression that we all have of it; yes, sir.

Senator MALONE. I just made him say it for the record. You know I am a peculiar investigator when I start in, so I made him say it for the record. Now he said it a hundred times elsewhere, but it was not before a Senate committee that I knew of. Now he went one step further, and I am sure that this bill is introduced in the Senate and House now. If it isn't it is the first time since I have been here that it has not been. He testified that he is for a fund to be set up by Congress in a bill—you must be familiar with this—an appropriation to compensate stockholders under certain conditions and to retrain workers for another job who are thrown out of work by virtue of this particular operation. Had you ever heard of that proposed legislation?

Mr. SCHWAB. Only in a general way, Senator.

Senator MALONE. I would advise you to study it because they are still for it, and I think it will pass here finally and I will vote for it, if this is going to stay on the books, because it is the only way you could help a workingman, thrown out of work, and I am interested in those workingmen as well as the investors.

But this thing has developed now into a contest between the people who want to invest their money abroad and our corporations that we have formed, 4 of them, as testified to by Secretary of the Treasury Humphrey just a few days ago—and that testimony is available to you—that these 4 organizations corporations, independent of Congress, Export-Import Bank, which is financed to the tune of $5 billion, the International Bank, and 2 others that we finance 35 percent, and then the Board of Directors are controlled by foreign nations, the 4 of them are set up specifically to encourage American investors to go abroad and invest their money. Then the effect of it is not only to furnish those markets there with these investments, but to ship the goods back here just as they are doing in the lead and zinc.

So here is what I am about to say to you: I do not blame these foreign investors, American investors who want to go abroad. They are smart businessmen. I blame the Congress for making this profitable in the inducement to go abroad at the expense of the American investor and the American workingmen.

Now I want to ask you this: Congress has it in their hands. This thing expires again in June 1958, and if we don't extend it Geneva is finished. It comes right back here to Congress, the Tariff Commission, an agent of the Congress, to do exactly what you are trying to do, and that is to fix a tariff that would make the difference between the labor cost here and the cost of doing business in the chief competing nation and here. That is what you are trying to do; isn't it?

Mr. SCHWAB. Pretty much basically so; yes.

Senator MALONE. If it isn't what you are trying to do, we are wasting our time with you.

Mr. SCHWAB. Someone asked me a moment ago if I had any sustaining figures as to what lead and zinc could be produced abroad for. I believe that our proposals on this bill would accomplish the purposes.

Senator MALONE. If we don't extend this thing next year, and it comes back to Congress, and the Tariff Commission under the law of 1930, it goes direct to them, and they determine the difference in cost, which you are talking about; that is what you want?

Mr. SCHWAB. That is correct.

Senator MALONE. And it is flexible, and it could be lowered whenever living standards are lowered or taxes and the difference between here and the chief competing nation there, the flexible tariff or import fee would correctly represent that difference, and it could be lowered at any time, and when their living standard reaches ours, if it ever does, it is automatically free trade. You would be for that?

Mr. SCHWAB. Yes.

Senator MALONE. If they are paying the same wages, same taxes, same, and everything; wouldn't you?

Mr. SCHWAB. I think that would be all right with us.

Senator MALONE. So would it be with me. We are all for free trade. It is a question of how you reach it, whether you bounce us on the ground, and we come up with the rest of them or whether you do it by a flexible import fee that makes the difference and honor them with free trade when they have reached our standard of living. That is about right; isn't it?

Mr. SCHWAB. I believe so; yes.

Senator MALONE. The reason I am for this bill is because for the first time the Secretary of the Interior has broken through the sound barrier at the White House, and the White House for the first time in 24 years has recognized that you need something, call it a tariff or a fixed price, to represent that differential that we have described. Now, as long as they have admitted that, that you need that, then it is only a question of how best to do it; isn't it?

Mr. SCHWAB. Yes, sir.

Senator MALONE. Then wouldn't you think that a Tariff Commission, set up since 1915 or 1916, staffed with people that understand how to equalize that difference and to take into consideration the manipulation of the price of money in dollars and the trade advantage and all these angles, would know how best to do it than to just sharpshoot it and say you are going up 1 cent or down 1 cent? Don't you think it would be better to have a principle established?

Mr. SCHWAB. Are you talking about for all commodities or for lead and zinc?

Senator MALONE. For lead and zinc, if you want to talk about it.

Mr. SCHWAB. I think that is, in essence, our proposal.

Senator MALONE. Of course it is, but what you are trying to do is to set a peril point now and then go home and think you have won a battle, and all the nations have to do is manipulate their currency and a few other little trinkets, and you're back where you started from, aren't you, and have to change the peril point; is that right?

Mr. SCHWAB. That's correct, sir.

Senator MALONE. All right; then it just seemed to me that it is A B C, and that's all, Mr. Chairman. I think you have a good witness there, but I just think that we ought to be frank with him, and I think you ought to go home and study your lesson, too.

Mr. SCHWAB. I will, sir.

Senator BENNETT. Any further questions?

I would like the record to show that the senior Senator from Idaho, Senator Dworshak, has come into the room.

Thank you very much, Mr. Schwab. We appreciate your material and it will be useful to the committee.

Mr. SCHWAB. We will supply the additional material that you asked for.

Senator MALONE. Who is the president of the zinc-lead association of which you are secretary?

Mr. SCHWAB. I beg your pardon?

Senator MALONE. Who is the president of your association?

Senator BENNETT. There is no association, Senator. This is an emergency committee, as I understand.

Senator MALONE. Then you have no president of it? You are just the secretary and you are the workingman of the committee?

Mr. SCHWAB. Chairman of the committee, sir; yes.

Senator MALONE. Don't you have a zinc institute someplace?

Mr. SCHWAB. There is an American Zinc Institute; yes, sir.

Senator MALONE. Zinc and Lead Institute; is it?

Mr. SCHWAB. Lead Industries Association you may be speaking of; two separate organizations?

Senator MALONE. Who is president of that organization?

Mr. SCHWAB. I'm sorry, sir, I don't know.

Senator MALONE. You work together, don't you?

Mr. SCHWAB. Not on this subject, sir.

Senator MALONE. Are they for free trade?

Mr. SCHWAB. I don't know, sir.

Senator MALONE. I just thought it would be nice to know.

Mr. SCHWAB. Those are technical organizations.

Senator MALONE. Could you find out about it, if there is any other organization that represents or thinks they represent the zinc-lead industry? Is there any other organization that think they represent it that are interested in this thing?

Mr. SCHWAB. None that I am aware of, because our organization represents, as I said, the major part of the United States producers on this given subject. That is the only purpose of our committee.

Senator BENNETT. If the Senator from Nevada will permit, the Senator from Utah has the impression that Lead Industries and the

Zinc Institute both represent the fabricators and users of the metal rather than the producers.

Mr. SCHWAB. I believe the producers are there, too, Senator, but particularly the fabricators and users.

The next witness is Mr. Miles P. Romney, of Utah Mining Association. The Chair would like to say for the record that he has known Mr. Romney for many years. Mr. Romney is a mining engineer by profession and a very effective representative of the mining industry of the State of Utah, which I represent in the Senate, and he has been before this committee a good many times presenting the industry's point of view on many problems.

Mr. Romney, do you have a prepared statement?

STATEMENT OF MILES P. ROMNEY, UTAH MINING ASSOCIATION

Mr. ROMNEY. No, Mr. Chairman; and with your permission I will just take 3 or 4 minutes to make a brief statement on some of the pertinent facts prevailing in the Utah lead-zinc industry today, and with your permission to submit amplification of these remarks for the record.

Senator BENNETT. The Senator from Utah, acting chairman, has received a copy of a statement prepared by the New Park Mining Co., of Salt Lake City, Utah, the original of which was sent to Senator Byrd, as chairman of the Finance Committee. Mr. Romney, would you have any objection if this statement were put in the record?

Mr. ROMNEY. Senator, you took the words right out of my mouth. I have another copy here to offer.

Senator BENNETT. The statement will be accepted for the record on the offering of the witness.

(The statement follows:)

NEW PARK MINING CO.,
Keetley, Utah, July 20, 1957.

The Honorable HARRY F. BYRD,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I am enclosing a statement of New Park Mining Co. describing our operating difficulties under the lead-zinc market situation of the past year.

We would appreciate having this entered as a part of the record in the hearing of the Senate Finance Committee to consider a sliding scale import tax on lead and zinc.

Thanking you, I am,
Very truly yours,

CLARK L. WILSON, *Vice President.*

STATEMENT OF NEW PARK MINING CO., SALT LAKE CITY, UTAH, PRESENTED BY CLARK L. WILSON, VICE PRESIDENT, ON THE PROPOSAL SUBMITTED TO THE CONGRESS BY THE SECRETARY OF THE INTERIOR FOR A SLIDING SCALE IMPORT TAX ON LEAD AND ZINC

New Park Mining Co., of Keetley, Utah, is an independent mining organization owned by over 4,900 stockholders scattered throughout the United States and foreign countries. Our ore is shipped direct to a custom mill, so that our income is dependent solely on mining operations. We feel that our problems due to the depressed lead-zinc market are typical of the industry and illustrate the need for domestic tariff protection. Our company was incorporated 25 years ago, in May of 1932, as a consolidation of several mining companies that controlled the Park-Galena Mayflower mine. Work on this prospect dated back to the 1880's. Following incorporation as New Park in 1932, it took 8 years to finance and develop the Mayflower mine as an active producing property, and

1940 was the first year of operation at a profit. Since that time the company has operated continuously at a profit through 1955, paying over $2 million in dividends to our stockholders. This past year of 1956 we lost $113,840.

During the past 20 years our company has produced 127,500,000 pounds of lead and 165,900,000 pounds of zinc. Our annual production rate now averages approximately 6 million pounds of lead and 9 million pounds of zinc. The importance of this production is quite apparent, as it affects the economy of our mining district, local communities, State of Utah, and the preservation and protection of the safety of our Nation, particularly in times of worldwide shortages. Our continued production of these metals is very questionable due to the low lead-zinc metal-price situation resulting from excessive imports of foreign lead-zinc.

The Park City mining district of Utah has produced over $450 million of metals in an 80-year period of time. An asset such as this must be protected and can be done only by continued operations of its mines.

I would like to establish at this point that New Park is an old reliable mining company with a sound production and profit record. Based on this record, we do not consider our present financial difficulty to be a result of corporate management or operating problems, and ours is not a so-called marginal producer, as our ore grade and mining costs are commensurate with other good operations in the United States.

WHAT THEN IS OUR PROBLEM?

Other interested mining people will present to your committee the facts and figures on excessive imports of lead and zinc. The resultant surpluses not only kept metal prices from rising in proportion to increased operating costs, but have reduced combined lead-zinc prices by 18½ percent in 2 months' time, May and June 1957. An operation that lost money when combined lead-zinc prices were 29½ cents per pound cannot exist at 25 cents per pound, even with a drastic revamping of its operations. We have been operating at a loss in hopes that the long-range mineral program would be presented to Congress early this year. To stay in business even on a break-even basis we cut out all lower grade working areas and dropped approximately one-third of our employees. A substantial percentage of our surface workers were either transferred to production jobs underground or were retired as overage employees (over age 65). All possible mechanical and operating efficiencies have been improved and tons of ore produced per man-shift have increased to an alltime time, but decreasing metal prices far exceed these improvements. Let's consider the price that would have been needed last year (1956) for New Park to operate on a break-even basis. As previously mentioned, we lost $113,840. If this loss is equally apportioned to lead and zinc it would require an additional 1 cent per pound on each metal to equal the loss. This would be a combined price of 31½ cents per pound, or 17 cents for lead and 14½ cents for zinc. The present prices are about 24 percent below this level.

EFFECTS OF LOW METAL PRICES

1. The immediate effect of low metal prices is readily apparent in operating losses. The problems of an imminent closure of the mine mean loss of jobs to our 185 employees. The effect on their families and the communities they help support will include several thousand people in our area. The county, State, and Federal taxes will be a real loss to our communities.

2. The value of the ore reserve in any mine fluctuates with metal prices and as prices are lowered there are some mineral areas that can't be mined at a profit and must be reserved for the future if they are then available. Our geologists estimate that our normal 2-year ore reserve has been reduced to approximately 6 months by the recent price reductions. What was profitable ore at 31½ cents combined lead-zinc price, cannot now be mined at present metal prices and costs.

The reduced value of our ore reserves due to the low lead-zinc prices is shown by comparing the value of our ore at 16 cents for lead and 13½ cents for zinc in April 1957, with the same ore at the present prices of 14 cents for lead and 10 cents for zinc. For this example I have used in the calculations a typical lot of ore shipped from the mine during the month of April. The value of this ore after treatment charges were paid was $23.96 per ton in April 1957. The same ore at present prices will net us only $17.67, a loss in value of over 26 percent.

3. We have a saying in the business that "You have to mine ore to find ore." By this, we mean that generally as long as a mine is operating profitably, management will reinvest a portion of its earnings in new exploration that will eventually develop new ore bodies. Low metal prices over the past few years have eliminated, at New Park and other properties, any long-range exploration that must be done to insure the existence of our industry. Over the long term this is the most serious effect of our present economy as the future security of our country will be effected.

OUR METAL PRICE NEEDS AT NEW PARK

Our economic situation has been explained to the Congress and the administration during the past few years and was fully recognized by the action of the Tariff Commission in May 1954, with a unanimous recommendation for increased tariff protection. As you know, this recommendation was rejected by the administration and various other plans were tried. In our estimation the failure of these attempts to stabilize metal prices has proven that a tariff or import tax, preferably both, is the only equitable solution to control of excessive metal imports. We appreciate the recognition of these principles by the administration as shown in the long range mineral policy statement and proposed legislation of Secretary Seaton and as presented in various bills now before Congress. Secretary Seaton suggests a peril point on lead of 17 cents and zinc 14½ cents. No tax would be imposed at these price levels or above. As shown earlier in this testimony we must have these prices at New Park to permit a break-even operation with a minimum of exploration and development.

We respectfully suggest to your committee that in your consideration of recommended legislation these price levels be considered actual minimums for operation of domestic lead-zinc mines under the present-day cost of wages and materials. The tariff or tax applied must be sufficient to control excessive foreign imports of lead and zinc.

The United States is not a "have-not nation." With the proper incentive our industry will develop new mineral reserves producing new wealth for our country and its people. This has been proven many times in the past. We feel it is imperative that the standard of living of the American miner be maintained and this will be done only by proper tariff protection.

We earnestly request that your committee approve proposals for the necessary protection of the domestic mining industry.

Senator BENNETT. The Senator from Nevada understands that the witness is not representing the New Park Mining Co. but is submitting this at the request of the manager of that company.

Excuse me. Would you proceed with whatever statement you wish to make?

Mr. ROMNEY. The Utah Mining Association represents better than 10 percent of the total domestic lead-zinc mine production, and our operators in Utah were pleased with the presentation of a proposal for a solution of the lead-zinc problem, particularly in the recognition in that proposal of the sliding-scale import tax. We feel that there must be some necessary upward adjustments of the tax schedules to accomplish maintaining prices at near the peril-point levels spelled out in the administration's proposal. This committee 4 years ago made a request of the Tariff Commission to make a study of the lead-zinc situation, and I believe that that action of this committee has been in a great measure responsible for the progress that has been made by the industry and by those interested in its welfare in providing these hearings today, for discussion of a proposal which is unique, in that it proposes sliding-scale import controls on lead and zinc.

This is a matter relating wholly to the economics of the miner. We are discussing prices that the miner should receive for the sale of his ore, out of which he must pay the cost of producing that ore.

Too often we get tangled up with the economics of milling and of smelting and of fabrication in thinking of the mining industry, but this proposal relates specifically to the economics of mining at the shaft head. I was very interested in a short exchange between Senator Kerr and Senator Anderson this morning talking about small operator casualties. That can be explained. It is simply that he is far more vulnerable to uneconomic prices.

He hasn't the cash reserves to stand any prolonged period of loss operations. He operates on a shorter bank account. With the impact of disastrous prices such as we have had in the last 2 or 3 months, as we experienced again back in 1953 and 1954, the small miner is the first one to go out of the business. I can illustrate that by the fact that in Utah in 1949, the custom mills and smelters of the State of Utah produced 49,000 tons of lead and zinc from the receipts of custom ore from outside of the State of Utah. It came from the small independent miner in Montana, Colorado, Nevada, and so forth. In 1955 those same mills and smelters received 7,000 tons, which reflected 42,000 tons of annual capacity of lead and zinc casualty among the lead-zinc operators outside of the State of Utah who were dependent on receiving an adequate price in the sale of their material to mills and smelters.

I would like to make just a few very brief remarks on the fundamental factors in the economics under which this experience occurred.

Going back to 1947–49, lead averaged 16 cents and zinc averaged 12.08 cents. During the period from January 1, 1956, to April 1957 we had 16-cent lead, which is exactly the average of 1947 to 49. We had 13½-cent zinc, which was about a cent and a half higher than it was in 1947–49. But cost of mining, the basic factors in the costs of mining, labor—these are figures that I obtained in Utah from suppliers and from operating companies—labor increased 69 percent in its base rate.

Blasting powder increased 48 percent; steel increased 80 percent. Timber increased 57 percent. Freight on metals shipped to markets from our western area increased 96 percent for lead, and 99 percent for zinc.

Those increased costs compared with the price base of 10 years previous shows the price squeeze that the domestic producers have experienced and the reasons for the shutdowns, the reason why even today our domestic lead-zinc production has never recovered to what it was immediately before the Tariff Commission studies in 1953.

Now there is one other factor that is often overlooked, and that is that the independent miner sells his ore to a mill or a smelter. The costs of milling and smelting have increased considerably. The miner must also bear those increased costs.

Today the miner who sells his ore to a lead smelter or to a custom mill is receiving about 60 percent of what he was getting for the same amount of metal at the same price in 1947. In other words, if he sold a ton of ore in 1947 say, at 16-cent lead and 13.5-cent zinc it would bring him $10 per ton. He sells that same ore today, the increased cost in treatment and transportation, results in his getting but $6 out of that same ton of ore.

So he hasn't only been squeezed economically by the cost factors of actual production but he has been squeezed economically by the returns that come to him from the sale of his ore. Just to relate that very quickly to what has happened in Utah, in 1956, we had 5 major producing properties in the State of Utah. The price was 16-cent lead, 13.5-cent zinc. Four of them by their annual published reports lost money at those prices. One of them is an integrated operation with smelters and oil operations and one thing and another and their picture was not clear, but 4 out of the 5 definitely lost money at 16-cent lead and 13½-cent zinc. Two of them, in material furnished to me, calculated their losses back in terms of lead and zinc per pound to see what price they would have to have to break even. One reported—and that is in Mr. Wilson's report which you have—that it would take 17-cent lead and 14.5-cent zinc—the calculations are in his data—to break even.

The other reported that it would take 17-cent lead and 15.5-cent zinc to give them a slight profit. I want to compliment the person or the individuals or group that worked out the peril point in the measure before this committee, because they apparently came very close in their cost calculations to what is an actual peril point or a break even for normally operating mines in the United States.

Mr. Chairman, I have taken up too much time. I thank you for the opportunity to make this statement.

Senator BENNETT. I'm sure your contribution is very effective. Does the Senator from Nevada have any questions?

Senator MALONE. Mr. Romney, I have watched you operate for a long period of years in my work because you are practical and you are very close to the mining industry in my State as well as perhaps others.

Now, when was it you began to have trouble with the lead-zinc tariff or margin that you are trying to readjust now?

Mr. ROMNEY. The first recollection I have of it was the reduction in zinc tariffs which was negotiated with Canada in 1937. That was the first one as I recall.

Senator MALONE. That was where it was cut 50 percent.

Mr. ROMNEY. I don't recall the exact figures of that cut.

I couldn't verify the specific cut on that. It is a detail I don't carry around.

Senator MALONE. That was under the 1934 Trade Agreements Act.

Mr. ROMNEY. It was under the 1934 Trade Agreements Act; yes.

Senator MALONE. Whatever the cut was, it was negotiated without any thought of arriving at that difference in wages or costs of doing business here and in the chief competing country, but it was done because it was thought that it would help the overall picture of the United States in the international picture; isn't that about right?

Mr. ROMNEY. Yes.

Senator MALONE. What is your opinion on it?

Mr. ROMNEY. As to the reason for doing it?

Senator MALONE. Yes.

Mr. ROMNEY. Well, that is a long ways back and I haven't read the newspapers of that time for some time. I think it was done under the philosophy of the Trade Agreements Act to increase trade with other countries; yes, that basically was it.

Senator MALONE. What trade were we trying to increase? Were we trying to increase the imports of zinc and lead or would it help the overall picture on the export of something else?

Mr. ROMNEY. There were many details of that kind considered. I'm sure that both sides considered details of all kinds.

Senator MALONE. But it was for the purpose, ostensibly, of increasing our foreign trade?

Mr. ROMNEY. Yes; that's right.

Senator MALONE. And it could have only one effect on our industry—and what was that?

Mr. ROMNEY. Well, it brought in cheaper raw materials, Senator. It made available cheaper raw materials.

Senator MALONE. What effect did that have on the industry?

Mr. ROMNEY. I recall that somewhere concern was expressed about the cut made at that time. As to the specific financial calculations to illustrate that distress was felt, I wouldn't know; but I recall there were some who complained strongly of the effect upon prices at that time.

Senator MALONE. In other words, it could have but one effect under a normal market, and that would be decreasing production with the increased imports; is that right?

Mr. ROMNEY. That's right; it was intended to do that, share our market with others.

Senator MALONE. And after that the war came along, World War II, and then we bought everything in sight; that is about right isn't it?

Mr. ROMNEY. Right.

Senator MALONE. Prices went higher and higher, because you couldn't import for a while, and then you had to get it from local operators?

Mr. ROMNEY. Wherever we could benefit.

Senator BENNETT. May I interrupt? That is the quorum call preceding the vote. I think that we might adjourn or recess long enough to go over and meet the quorum and make the vote, and then return.

Senator MALONE. Mr. Romney will be here?

Senator BENNETT. And Mr. Romney will be here. I assume you are willing to wait.

Mr. ROMNEY. I will be here for 2 weeks, Senator.

Senator BENNETT. Other witnesses on the list who would like to appear during the afternoon, I think the committee might well run until 5 o'clock or so, and we will recess now until members of the committee can return. My guess is about 20 minutes.

(Short recess.)

Senator BENNETT. The committee will come to order.

At the direction of the Chair, I submit for the record a statement by Senator John A. Carroll.

(The statement of Hon. John A. Carroll, a United States Senator from the State of Colorado, is as follows:)

STATEMENT BY SENATOR JOHN A. CARROLL

The metal-mining industry in the State of Colorado is in a condition of genuine crisis.

I appear before you today to ask for emergency help. A long-range minerals program will be a deserving study for the Congress at some more appropriate time.

What Colorado needs right now is fast help for its miners; not a study of minerals problems. The critical period is this month and August. If this session of Congress does not offer legislative aid to the base-metal-mining industry, that industry in Colorado faces total disaster. Mines will close down, flood, and cave. There will be widespread unemployment. Cities will economically deteriorate.

I am here to call for an immediate import-excise tax on lead and zinc in lieu of the presently existing tariffs. It is my recommendation that this tax be 6 cents per pound on both lead and zinc and would be effective when for 1 month the domestic market price for lead falls below 18 cents per pound and for zinc below 15 cents per pound.

If such remedial action by the Congress cannot be enacted swiftly, I call for alternative action: The payment by the United States Government of production bonuses which would bring the total price received by the producer to 18 cents in the case of lead and 15 cents in the case of zinc.

The root cause of the current crisis in the base-metals industry is foreign imports. I propose that we promptly go to the root of the problem in searching for a decisive answer. We need an excise tax on lead and zinc imports.

Here is the current picture of crisis in the metal-mining industry in my State:

1. Resurrection Mine & Mill at Leadville is closing down. Mr. Peter Donoher, secretary-treasurer of the AFL-CIO miners union in Leadville wired me last week that 150 miners will be out of work.
2. Keystone Mine & Mill, in Crested Butte, Gunnison County, closed down.
3. The King Lease mine, in Crested Butte, Gunnison County, closed down.
4. New Jersey Zinc & Lead, at Gilman, Colo., is considering suspending operations, which will throw 550 miners out of work.
5. Argyle Mining & Milling, of Silverton, Colo., has given notice it will close down. Argyle operates the only mill ("Pride of the West") in San Juan County and with its closing all other mines feeding it will be forced to close. The Silverton Chamber of Commerce estimates that 5,000 persons will be affected in their area.
6. Jordan mines in Park County have closed down.
7. Camp Bird, Ltd., in Ouray County, has discontinued operations pending relief action by the Congress.
8. Rico Argentine Mining Co., of Dolores, Colo., is threatened with suspension of production.

I have drawn a picture for you of near disaster in my State. Others here today will tell you of similar conditions of crisis in this vital industry in Oklahoma, Kansas, Missouri, Utah, Idaho, Nevada, New Mexico, California, Montana, Washington, Oregon, and Arizona.

The American Smelting & Refining Co. operates what is perhaps the biggest single industrial plant in the city of Leadville, Colo. On July 8, the American Smelting & Refining Co. announced at its national headquarters that it was cutting back zinc production at its mine properties by 3,000 tons per month and cutting lead 500 tons per month. At the same time American Smelting & Refining closed mines in Colorado, New Mexico, and Washington, and closed a mill in New Mexico. It seems only a matter of time before Leadville receives the jolt of curtailed or suspended operation of the American Smelting & Refining smelter.

Why is the instability of the metal-mining industry so vital to the State of Colorado? Colorado is one of the principal producing regions of base and rare metals. The economy of our State is intimately locked into our mining industries.

Last year Colorado was third in the Western States in production of zinc. Colorado is the second largest western State producer of lead. Last year Colorado produced metals valued at $22½ million, $14 million of which was lead and zinc.

The mining of other metals depends substantially, as the foregoing facts indicate, on the profitable mining of the two "bread and butter" minerals—lead and zinc. If these two metals fail, the entire Colorado metal-mining industry fails.

Literally thousands of Colorado families are directly reliant this week on Congress to save their income, their way of life, the very towns and cities they live in. In Colorado today, we face the prospect of creating dozens of new ghost towns and of flooded and caved-in metal mines. And the thought overriding the ache and pain of the damage to persons and families and towns is this: Can we survive as a world power without a domestic metal-mining industry?

I am sure we cannot.

And I am sure that unless prompt and decisive congressional action is taken within the weeks immediately ahead to stabilize the United States metal-mining industry, that industry will be wracked with economic convulsions that will shake it off its foundations, and recovery of its present status at some future time of international crisis or war will be either impossible or at a cost to stagger the imagination.

Several excellent bills have been submitted in the Senate under bipartisan sponsorship dealing with the problems of the lead and zinc industries. The relative merits of these proposals is something your committee is especially qualified to determine. However, regardless of the specific import tax formula or the tariff details you elect to enforce, it is most imperative that the decisions and the action be swift.

It is for your committee to determine whether the peril points in the tariff are correct and what modifications might be most reasonable and necessary. But overriding your deliberations must be a sense of real urgency in the knowledge that the life and death of whole mining communities, cities, and counties hang in the balance.

I have been in constant touch with mining, labor, and civic leaders in Colorado in the past few months, and at this point I would like to make part of this record several messages received last week from men intimately concerned with the pending crisis facing both human and natural resources in Colorado. The messages I am about to read are from:

1. Peter J. Donoher, secretary-treasurer, Leadville Miners Union, 24564, AFL-CIO
2. S. Wesley Johnson, assistant director, region 19, AFL-CIO
3. Frank Coolbaugh, Climax Molybdenum Co., Climax, Colo.
4. J. Cameron Grant, Argyle Mining & Milling Corp., Silverton, Colo.
5. John W. Hill, Grand Junction, Colo., vice president, Colorado Mining Association
6. The Silverton Chamber of Commerce, Silverton, Colo.
7. Robert S. Palmer, executive vice president, Colorado Mining Association
8. George Cavender, president, Colorado Labor Council, AFL-CIO

I appreciate and extend my gratitude to the committee for hearing me this morning on this matter of vital interest to my State.

MESSAGES TO SENATOR JOHN A. CARROLL IN RE CRISIS IN COLORADO METAL MINING INDUSTRY

1. From Peter J. Donoher, secretary-treasurer, Leadville Miners Union, 24564, AFL-CIO:

"Resurrection Mining Co. has given notice to Leadville Miners Union, No. 24564, of closing. This is caused by low lead and zinc prices. About 150 of our members involved, many with years of seniority, making it impossible to obtain reemployment, especially in Leadville area. This will cause suffering and will mean loss to Leadville."

2. From S. Wesley Johnson, assistant director, region 19, AFL-CIO:

"This is to inform you that the Resurrection Mining Co., which is a subsidiary of the Newmont Mining Co., located in Leadville, is closing down. This is caused, as you know, by the low market prices of lead and zinc. This will have a serious effect in Leadville, especially when a goodly number of these employees are those who will not be able to obtain reemployment, due to such factors as age and certain physical limitations that will not permit them to seek jobs at higher altitudes than the Resurrection operation.

"I know that you will do all you can, for this is a serious situation which is now confronting the Rocky Mountain region, as I do know of other lead and zinc operations that have either closed or expect to close."

3. From Frank Coolbaugh, Climax Molydenum Co., Climax, Colo.:

"We are feeling the effect today of the lead-zinc price situation with many substantial mines closing down in Colorado and other Western States.

"It has very depressing effect on all of the mining industry with result that much new exploration and development in other mineral fields will also lag. One very serious threat to our Government's mineral economy is that in closing our lead and zinc mines today many will necessarily pull their drainage pumps and the mines will be allowed to flood and cave. Even with pricing or other protective measures set up to protect domestic industry, many of these mines could not be economically reopened once they have been allowed to flood. Because of this the country is definitely losing ground in its search for strategic minerals, its effort to increase workable reserve of these minerals, and the ability of the mining industry to serve in case of emergency. Certainly the situation is critical now, and whatever can be worked out should be done quickly so as to salvage what we can of the efforts that have been expended to date.

"In an analysis of the lead-zinc situation my suggested proposal would be one in which foreign producers would be forced to compete fairly with domestic producers through the tariff route. Certainly we protect our higher standard of living, but at the same time should not block off a balance of foreign trade with unreasonable barriers. A sliding scale for tariff rates based on variations of demand market prices of lead and zinc in the country should not be too complicated to work out and control. We do not favor any direct subsidiaries on metals nor subsidiaries through and over extended domestic stockpile program if any more permanent method can be worked out in assisting the domestic industry to stand on its own feet."

4. From J. Cameron Grant, Argyle Mining & Milling Corp., Silverton, Colo.:

"Due to market drop in prices of lead and zinc it will be necessary for us to close down our mines and mill. As we have the only mill operating in this county it will mean the closing down of all mines in this district, as they depend on us for milling their ore."

5. From John W. Hill, vice president, Colorado Mining Association, Grand Junction, Colo.:

"I believe the present situation in lead, zinc, and other metals and oil may well represent the future of the minerals industries unless a good, firm, long-range mineral policy with principle regarding foreign imports is promptly legislated."

6. From the Silverton Chamber of Commerce, Silverton, Colo.:

"Decline in lead-zinc price is closing more mines every week in this great mining district of Colorado. Five thousand people here depend on mining for livelihood. Safety of Nation depends much upon abilities of our mines to produce these strategic metals. Mines closed because of decline cannot be reopened overnight. Increasing labor and material costs makes continued operation impossible unless help from Congress is forthcoming immediately. This industry is lifeblood of Silverton, Ouray, Telluride district. Silverton Chamber of Commerce endorses any sound policy to stabilize domestic mined lead and zinc."

7. From Robert S. Palmer, executive vice president, Colorado Mining Association:

"Appeals have been made to you for action on lead and zinc legislation. At no time during the 15 years I have served the mining industry has the situation been more critical.

"Yesterday the executive committee of the association, with representatives from all parts of the State, met and it was stated that Leadville is closing down; Silverton is awaiting action of the Congress and can't last through the summer. Gilman, in Eagle County, our largest producer, is operating in the red and won't last long, which will mean the loss of 550 jobs to deserving miners."

STATEMENT OF GEORGE CAVENDER, PRESIDENT, COLORADO LABOR COUNCIL, AFL-CIO, JULY 22, 1957

The drop in metal prices, particularly in lead and zinc, is showing its effect upon the employment of labor in the State of Colorado. The Resurrection Mining Co. of Leadville, Colo., has announced (copies of notices attached) that it will gradually shut down its extensive mining operations. This shutdown is bound to create a hardship on the mining community of Leadville. (The reason we are familiar with the Resurrection situation is the simple fact that this operation employs members of Leadville Miners Union, No. 24564, AFL-CIO. There have been reports of similar announcements coming in from Eagle, Park, Ouray, Gunnison, San Juan, Dolores, Clear Creek, and other counties within the State.)

Therefore, we firmly believe that the solution to the problem confronting the miner in Colorado, along with those in other States, is undoubtedly the imposition of a graduated import tax which would go into effect when the price of lead and zinc falls below a decent figure. As of this date, we are informed that the operators must have at least some protective guaranty that zinc will not fall below 14½ cents, or in the case of lead, 17 cents. When prices go below these figures without some protection, then mining camps must cease, and, of course, our people lose their source of employment, along with accrued benefits, such as seniority rights, pensions, etc.

While the valuation of lead and zinc produced in Colorado during the last few years is not impressive as national production figures go, it is true that last year we produced 70,700,000 pounds of zinc, at a valuation of $8,697,100. In the case of lead, we produced 31,610,000 pounds, at a valuation of $4,709,809.

Unless action is taken in this session of the Congress, whole communities in Colorado will be affected and many members of our trade-union movement will be displaced. We know of many who will have a problem of finding reemployment, if at all. To these who are displaced, they will become a problem to the community and the State. We wish to emphasize that it will be too late if Congress adjourns and no action is taken at this session.

We urge your strong consideration of the proposals being made to work out equitable protection for both lead and zinc, for, as it affects the mining industry it also affects the jobs of many of our people.

NOTICE

July 3, 1957

The Resurrection Mining Co. regrets to announce that, because of falling metal prices as of July 8, the operation will be brought to an orderly shutdown. All ore that would be lost because of shutdown, such as No. 2 stope at the Irene and certain cleanup at the Julia Fisk, will be mined and milled, while all machinery and equipment are being removed from underground. We expect to complete this work within the next 2 months. Thereafter the mines and mill will be completely shut down and maintained on a standby basis until economic conditions warrant their reopening.

B. B. GREENLEE, *General Manager.*

NOTICE

July 12, 1957

Since our notice of July 3 announcing the shutdown of our operations, plans have been adopted which call for a full crew, both underground and surface, until approximately September 1. All men will, of course, receive 7 days' notice in advance of actual layoff.

Between now and September 1 we will mine all ore from No. 2 ore body and the Julia Fisk that would be lost during shutdown, and pull all machinery and equipment, except pipe and rail, putting the mines in good shape for reopening when metal prices justify such action. At the Julia Fisk, before allowing the property to flood, a concrete bulkhead will be placed on the 500 level of the Hellena, near No. 2 raise, so that when the Julia Fisk is reopened it can be unwatered without our having to pump the heavy flows of water originating in the Hellena workings. All supplies, equipment, material, and buildings that will not be needed to resume operations at the Irene, Iowa Gulch, and the mill are being disposed of, so that on resumption of operations a neater and more compact plant will be available.

After September 1, certain key personnel will remain for a short period, during which we plan to do a limited amount of development at the Irene, primarily diamond drilling. By December we expect to pull the pumps and be completely shut down.

B. B. GREENLEE,
General Manager, Resurrection Mining Co.

Senator BENNETT. Mr. Romney will return to the stand.

Senator, we have one more supporter of the bill to testify when Mr. Romney is through, and then Mr. Goodwin, of the Pervuian American Association, has asked that we allow him to testify tonight, because he has to be in New York for a doctor's appointment in the morning, and it is the thought of the acting chairman that after that testimony has been received we will recess until tomorrow morning, when Mr. Stebbins and Mr. Vuillequez will be heard.

All right; the committee is back in session.

Senator MALONE. I think I asked you already when you began to have trouble with the tariffs on the lead and zinc, and they began to be lowered beyond the point of the difference between the wage-living standard and the cost of doing business, including taxes, in the chief competing nation on each product, I asked you that question, didn't I, and you answered—what was your answer?

Mr. ROMNEY. Well, I answered that certainly that would be the effect upon the producers in this country.

Senator MALONE. Any lowering of the duties or tariffs—articles I, section 8, of the Constitution calls them duties, imports or excises, but we have long called them tariffs—below that differentiation which we have described, would naturally result in an influx of more imports.

Mr. ROMNEY. More imports and harm to domestic industry.

Senator MALONE. Of any product, not only lead and zinc.

Mr. ROMNEY. That is right.

Senator MALONE. Now, then, it only remains to establish, it seems to me—and I want to be as brief as I can and have a complete record—why we did that, knowing that it would result in more imports.

Now, the Secretary of State has testified that whenever the administration, meaning the Executive—and of course for all practical purposes it is the State Department—decides that our overall position in the world would be strengthened by a lowering of such duties or imposes or excises or tariffs, even though they were below that point that we have described as protection, then even if they know it is going to result in a depressed condition for that industry, or elimination of it entirely, that they have all the authority they need to proceed in that matter.

You understand that that is what they have said and testified to, you do know that?

Mr. ROMNEY. I was here when it was testified.

Senator MALONE. That simplifies it.

Now, you were also here, no doubt, when the questions were asked, and it was so testified, that the State Department and others have advocated a bill in the Senate and the House—and I am not sure but what it is introduced now, I was watching out for it to come out sometime—to provide money from the same taxpayers that are losing the industries generally, to retrain workers that lose their jobs by virtue of that particular kind of a policy.

You have heard that testified to right in this committee?

Mr. ROMNEY. I have read some such bills, I am not acquainted with their status.

Mr. MALONE. I have read the bills, and as a matter of fact I am going to vote for them sometime, if I am unable to stop this business of eliminating the industries, because it is the only fair thing you can do—that isn't fair, because I know these miners like you do out there, and I know the textile industry. Not as much as I know about the mining men—but I know about workingmen in general. And you are not very likely to train one of these miners to be a watchmaker, are you, or something like that, after he has spent his life learning about mining, it is not very likely to be successful, is it, this policy?

Mr. ROMNEY. Not that sort of a trade. They do move on into other types of work. But it means uprooting their investments and homes and all that sort of thing tied to that type of readjustment.

Senator MALONE. They tried to learn something else when otherwise their families would be out of school and starve to death.

Mr. ROMNEY. There is a great deal of inconvenience and suffering in making those adjustments.

Senator MALONE. And it destroys communities that otherwise are preserved if you do have a tariff or a duty that just makes up the difference between the wage, standard of living, and the taxes and cost of doing business higher and the chief competing country, isn't that right?

Mr. ROMNEY. That is right.

Senator MALONE. Then do you believe it to be a subsidy for textiles or for machine tools or minerals, not only lead and zinc, anything, if the tariff or the fixed price only makes that difference, would you call it a subsidy?

Mr. ROMNEY. No; I don't think it is a subsidy, Senator. I have heard that debated many times, but I am certainly on the side that if it is related to cost of producing in a domestic economy, it is not a subsidy.

Senator MALONE. Of course not. And that subsidy, or that tariff or duty in the 1930 Tariff Act, is lowered as their living standards or standard of living or taxes increase in this foreign competitive nation; that is what it says in the 1930 Tariff Act, doesn't it?

Mr. ROMNEY. That is right, sir.

Senator MALONE. So that when they are finally living about like we are it would automatically be free trade, wouldn't it, and that would be a very sensible way of bringing about the free trade, would it not?

Mr. ROMNEY. Yes.

Senator MALONE. Another thing I want to ask you if you agree with me on and I have given this thing a lot of thought in the last 24 years and the last 11 years here on the Senate floor—they say we want to raise the standard of living of the foreign countries through the reduction of our tariff and import fees and allow the goods to come in.

But the experience is—and I want to know if you agree—that it does not result in a raising of the wages and the standards over in this competitive country, but it results in American capital or some other capital making some money out of it and holding the wages just about the same—maybe a nominal raise over a period of years, but not in accordance with the cut in our tariff.

So it does not result in the improvement of the workingmen's standard of living, but it does result in some of these governments, dictatorial governments, making some money to keep themselves in office, and some of our American capital that goes to these countries making some money.

What is your impression?

Mr. ROMNEY. Well, I agree with you. I think the very difference in our systems of capital investment—between this country and foreign areas—mitigates against such benefits as are broadly shared from increased production here in this country being experienced by foreign labor.

I have been conscious of that for a long time, and basically, I agree with you, yes.

Senator MALONE. Well, the reason we have a market—and there may be a lot of different conclusions—but the reason we have a great market in this country, where most of the foreign nations have none of any consequence—is because for some reason, and probably different reasons, from different people, that it has resulted here in the division of the profits and production in the form of higher wages, isn't that right?

Mr. ROMNEY. Yes, sir.

Senator MALONE. And as the wages go up, it is not the men running the business—or a comparatively few, maybe 1 percent—but the 99 percent that work in the mills or in the textile mills that are allowed to get these higher wages up to a point—and that is always an argument as to how high they are allowed to go—but they are allowed to increase in accordance with the cheapened productions, and therefore we create a market; isn't that right?

Mr. ROMNEY. Yes, sir.

Senator MALONE. Maybe if we took the profit out of this cheap labor at the water's edge, through a flexible import fee that they call duty in article I, section 8 of the Constitution, and suddenly these dictators or kings or queens, whatever they are—and I get tired hearing them called the kind of government we are, but we are floating toward their kind, so one of these days the statement is going to be approximately correct—but if we took that profit out of that flexible import fee, just took it out, not prevent them coming in, but when they come in they come in on your level of costs—I am talking now about the average costs—maybe they would go home and say "Well, the party is over; we might as well let our labor participate in this business here and create a market at home," do you suppose they might do that?

Mr. ROMNEY. It would be a very desirable effect if it did do that.

Senator MALONE. Then the very policy we are carrying out defeats what we say is our objective, does it not, in trying to raise the wages abroad, we make it profitable for them to hold it down and defeat the very thing they say we want to do, don't we?

Mr. ROMNEY. You have lost me there, Senator.

Senator MALONE. Let me go over this again.

I know you have thought about this. If you can profit by the cheap labor—you can do it, I can do it—I was in the engineering business 30 years before I came here—you get some capital together and go over and use that cheap labor.

And then when you go there the more you can hold that labor or where it is the more money you make here in this market, isn't that right?

Mr. ROMNEY. I see your point, yes.

Senator MALONE. Now, if they suddenly hear that we got our feet on the ground and went according to the Constitution of the United States, and the Congress did this job, like the 1938 Tariff Act says the Tariff Commission must do it as the agent of Congress, and they just took the profit out of this and grinned at them, then we may say "We have our plant here, you might as well let this labor go up so that they can then buy some of this profit."

So don't you think it would be more incentive to raise the standards of living in foreign countries if we took the profit out of it here and let them make the full amount of money by holding it down over there?

Mr. ROMNEY. It could well work in that direction.

Senator MALONE. The more you think about that I think the more you will agree that that is about what would happen.

Now, you have heard this talk about marginal operators, haven't you, marginal mines, marginal operators?

Mr. ROMNEY. Yes, sir.

Senator MALONE. That marginal operator would apply just the same to a textile plant or anything, they are marginal, because they could not quite make a go of it?

Mr. ROMNEY. That is right.

Senator MALONE. So that in the American public's mind, the thought has been imbedded for 124 years that if you can't compete with this cheap labor you are a marginal operator, isn't that about right?

Mr. ROMNEY. That is the view that has been sold.

Senator MALONE. You agree with that?

Mr. ROMNEY. Yes, sir.

Senator MALONE. You and I, I think, agree—and that is what I question—that a marginal operator here would only be a man that could not operate on a duty or tariff that took the profit out of the low-wage labor, and then if he could not make it go with the tariff that made the difference between the difference in the labor cost here and the taxes and cost of doing business in this Nation and the chief competing nations, then he would be a marginal operator?

Mr. ROMNEY. He would be marginal in our economy, I think.

Senator MALONE. I think it is time that the American taxpayers had a definition for a marginal operator that they could understand and that made sense, none of these marginal operating definitions by Americans who are doing business abroad and want to bring the stuff in here makes very much sense, do they, with you?

Mr. ROMNEY. I agree with you.

Senator MALONE. Now, all we want, then, is a price, a set price, which we set on tungsten and 6 other minerals in 1953, and cut it 4 in the extension of 1956, in the Mineral Purchase Act, the Malone Aspinall Act, we tried to set a fixed price there that made that difference, didn't we?

Mr. ROMNEY. That is right.

Senator MALONE. And everybody started into business pretty well. Now, Congress then—and the House has just as much right as the Senate to do whatever they want to do—they decided that they didn't want any more tungsten produced in the United States, so I guess they have won their battle on that. So our mines, domestic mines, have closed down. But with the duty or a tariff, or whatever they want to call it, excise tax, to make that different, or a set price to make the difference, all that would be, then, would be just favorable and reasonable competition, wouldn't it?

Mr. ROMNEY. That is right.

Senator MALONE. You don't keep the foreign product out, if you didn't have enough zinc or lead here under that business it would come in, wouldn't it?

Mr. ROMNEY. That is right.

Senator MALONE. And all you want, then, is a fair break with the foreign producer, that is right, isn't it?

Mr. ROMNEY. That is right.

Senator MALONE. Now, immediately in newspaper reports and magazine articles, when you start talking about a tariff you talk about a wall around the United States.

Now, a tariff or a duty or an excise tax adjusted on the basis of fair and reasonable competition wouldn't be much of a wall, would it?

Mr. ROMNEY. I don't think so.

Senator MALONE. And no one that I know—and this includes you, unless you want to contradict me, and I have known you an awful long time, you remember—no one wants a high tariff and no one wants a low tariff, in the mineral business, textile business, or anything else; what they want is that differentiation, isn't it?

Mr. ROMNEY. Something that fairly represents the differential in the cost of production.

Senator MALONE. Then what you are doing is competing with the American market, is that right?

Mr. ROMNEY. That is right.

Senator MALONE. Then if I produce more than the American market can absorb, the more efficient operators will get the business and the others will go out eventually, isn't that right?

Mr. ROMNEY. That is right.

Senator MALONE. Isn't that all you are asking for?

Mr. ROMNEY. That is all the interest is asking for, in my opinion.

Senator MALONE. If you think that is the right principle, and you think, as I do, that this is the first time they have broken through that sound barrier at the White House, and they have acknowledged that there is some difference that has to be paid up one way or the other, then, if that is a fact, that it does have to be made up, then it only devolves on the question of how to do it, isn't it?

Mr. ROMNEY. That is right, sir.

Senator MALONE. Then, which is the best way to do it, just sharpshoot it and fix the peril point, and then have a 1-cent tariff whenever it goes below a certain point, or take it off when it goes above, instead of having someone around here sitting on a nice soft chair deciding when that ought to be done; wouldn't it be better just to adopt that principle that we had for so long and let the Tariff Commission do it?

Just let them—they can call a hearing, you know, under the old 1930 act, on their own motion, at the request of this committee or any committee of Congress, by the President, or any producer or consumer; they can take it up and have a rehearing on any product in their repertoire. Then let them do that, and let them continue; they fix where the peril point ought to be regardless of any manipulation of foreign nation's money, in terms of the dollar, or any other manipulations they want to make; let them compensate for it; wouldn't that be the best way to do it?

Mr. ROMNEY. The Tariff Commission has always done an admirable job on investigations of the type that you are speaking of.

Senator MALONE. And they are still doing an estimable job in investigations, but in 1934 all of the authority was taken away from them, wasn't it, through the 1934 Trade Agreements Act?

Mr. ROMNEY. Very largely.

Senator MALONE. Do they have any now?

Mr. ROMNEY. The authority to continue the investigations; they have no authority to——

Senator MALONE. They can't do anything about them.

Mr. ROMNEY. To implement their investigations or recommendations.

Senator MALONE. As a matter of fact, when Congress transferred its own constitutional responsibility to regulate foreign trade and the national economy to the Executive, with full authority to put it in

Geneva, the Tariff Commission passed out, along with Congress, as its agent.

Mr. ROMNEY. When you saw that in the lead-zinc case.

Senator MALONE. This peril point, we have already destroyed that; it is something that can be destroyed 5 minutes after we arrive at what it is, that it can be changed because of the manipulation of foreign currency and other manipulations. What about this escape clause that we hear so much about, or we used to hear so much about?

Mr. ROMNEY. Well, we are very familiar with it, of course, as you know.

Senator MALONE. Did anybody ever escape?

Mr. ROMNEY. Well, there are a few; I think there are some 6 or 7 out of 24 or 25 decisions that have given relief, but the major ones have not—the lead and zinc industry is a classic.

Senator MALONE. The escape clause could still be judged not from the standpoint of the benefit of the industry, that is, that it may need that production and they really realize it, but it could be judged on the statement that Mr. Dulles made that they could destroy one industry or depress it or do anything they want to do if they thought the overall picture justified it in improving the position of the United States internationally; could they not?

In other words, there are other factors considered by the White House under the 1934 Trade Agreements Act, as extended, than keeping any particular industry in business by allowing them to have that differential we have already described. And over those factors you have no control, the Tariff Commission can't judge it, Congress has no control; have they?

Mr. ROMNEY. That is right.

Senator MALONE. Mr. Chairman, that is all.

Senator BENNETT. Thank you very much, Mr. Romney.

And we will anticipate additional material for the record.

Mr. ROMNEY. Fine; I will furnish it very promptly, sir.

(The following was subsequently received for the record:)

STATEMENT OF MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION ON THE SUBJECT OF IMPORT TAXES ON LEAD AND ZINC

I have been active in the mining industry for the past 25 years, principally in the Western States, in the capacities of miner, exploration geologist, and mine manager. In my present position I represent the mine operators of Utah, including those who produce in excess of 10 percent of the total lead and zinc produced in the United States.

We support the statement and the sliding scale import tax schedules proposed therein presented to this committee by the Emergency Lead-Zinc Committee. This statement is supplementary thereto.

The issue at stake in the proposed sliding scale import tax for lead and zinc relates primarily to the economics of mining as they affect the mine. All costs, including milling, smelting, refining, marketing, and the transportation related to these functions, are charged to the mine operator and therefore are deductible from the market price of the metals produced. The mine operator must pay production costs and realize any profit from the balance after such deductions. That balance is called net smelter return.

A statement furnished this committee by Mr. S. K. Droubay, of the United Park City Mines Co., shows the "net smelter return" to his mine to be 27 percent of the market price for zinc and 6 percent of the market price for lead.

In Utah in 1956, five major lead-zinc mines were operating. Metal prices averaged 16-cent lead and 13½-cent zinc for the year. Four of the five mines lost money at those prices, as evidenced by their annual reports. Two of the four closed their mines early in 1957. They are the Chief Consolidated Mining

Co., which has produced lead-zinc continuously since 1909, and the Combined Metals Reduction Co., which has operated mines and a flotation mill continuously for at least 25 years. United Park City Mines Co. and New Park Mining Co. illustrated in statements to this committee that a price of 17 cents per pound of lead and 14½ cents to 15½ cents per pound of zinc was necessary to enable them to break even.

The price is now 14 cents and 10 cents, respectively, for lead and zinc as a result of drastic price reductions beginning in May of this year, caused by excessive supplies of metals. Excessive in spite of near record consumption and below normal domestic mine production, but because of excessive imports.

To further illustrate mining economics in the United States, present labor blasting powder, steel, timber, and transportation costs are compared with the 1947–49 averages for those items.

The increases are:

69 percent for labor (base day's wage rate)
48 percent for blasting powder
80 percent for steel (base material for machines, equipment, and many supply items)
57 percent for timber
98 percent for freight on lead bullion to market
90 percent for zinc metal to market

In addition to the above cited increased costs, the charges for milling, smelting, refining, and marketing have increased and the "net smelter return" on the ore sold is therefore considerably less today than would have been realized in 1947. For example, in 1947 a ton of lead ore containing 15 percent lead, sold to a lead smelter on a 16-cent market price, would have netted to a certain mine $31.48 per ton. In January of 1957 a ton of ore of the same lead content at the same market price would have netted to the same mine only $19.61 per ton, or only 62 percent of the net realized in 1947.

Utah operators have done an outstanding job in improving efficiency in operation through mechanization, revamping mining systems, etc., but have been able to only partially offset the combined impact of high production costs and decreased net smelter returns. Most exploratory and long-range development has been eliminated.

At 16-cent lead and 13½-cent zinc, prevailing in 1956, Utah mines were operating in distress. At 14-cent lead and 10-cent zinc they face disaster. Two have already closed.

Utah mills and smelters normally serve as treatment plants for many independent lead-zinc operators in the surrounding or nearby States of Colorado, Nevada, Arizona, Montana, and Idaho. In 1949 such operators shipped ore to Utah containing 49,000 tons of lead and zinc. By 1955 the impact of increased mining costs, lower net smelter returns, and lower prices resulted in shutdown casualties among those independent operations to such a degree that the tonnage of lead-zinc in ore from those sources was reduced to 7,000 tons.

In Utah, the shutdown casualties among independent operators resulting from the same conditions are illustrated by the records of the Utah State Tax Commission. Comparison of the 1949 and 1955 records follow:

	Total tons lead-zinc ore mined		Operators producing 10,000 tons or more		Operators producing 5,000 to 9,000 tons		Operators producing 1,000 to 4,999 tons		Operators producing 1 to 999 tons	
	Number of operators	Tons	Number of operators	Tons	Number of operators	Tons	Number of operators	Tons	Number of operators	Tons
1949	23	827,650	9	801,364	1	6,444	5	16,406	8	3,436
1955	9	698,861	5	697,070			1	1,189	3	602
Loss of producers and tons of ore	14	128,789	4	104,294	1	6,444	4	15,217	5	2,834

Opponents of the industry's proposals for a sliding-scale import tax to afford protection from excessive imports and surplus supplies of metal on our market have claimed that the mines closed and those distressed are marginal operations. Every mine is marginal at a given price for metals. Under the depressed prices prevailing since 1953, more American mines than foreign have been marginal under those prices. One principal factor has been that American miners enjoy an American standard of living through the highest wages, most inclusive fringe-benefit program, and the best working conditions in the world. Many of the domestic mines would not be marginal in foreign areas under the same depressed prices.

One operator recently illustrated this point tersely when he said: "My mine is not marginal because of its ore; it's marginal because of its being located in the United States."

Steel, aluminum, transportation companies, utilities, and many other industries have been able to adjust prices to compensate, in part, at least, for cost inflation. Many nonferrous metals, including lead-zinc, are marketed under worldwide competitive conditions and cannot make such compensating price adjustments.

To avoid, through further mine closures and curtailments, the continued exporting of the jobs for miners and all the related economic benefits that come to the communities, the States, and the Nation from mining, there must be an adequate provision for equalizing the competitive ability of domestic and foreign mining operations. We have been exporting jobs and benefits over the past few years, and the present price crisis promises to export more.

Taxes to local, State, and Federal governments are among the economic benefits exported. Utah lead-zinc mines had an assessed valuation, based on 1949 production, of $10,894,005, but only $6,456,102 in 1955. At a 40-mill (about average) levy, this meant a loss of about $175,000 in State and local property taxes and at least twice that amount in total direct taxes to State and local governments. The total loss to all governmental agencies would be staggering if computed for all tax losses and for all lead-zinc-producing areas.

The operators from Utah join the rest of the lead-zinc-mining industry in urging passage of import-tax legislation based on a fair evaluation of costs of production in our domestic economy with costs of production in competitive areas. We believe the industry proposals, as to peril points and import-tax applications, contained in testimony presented to this committee by the Emergency Lead-Zinc Committee will accomplish that end and respectfully urge the committee to favorably consider those proposals.

Senator BENNETT. Our next witness is Mr. Albert Pezzati, International Union of Mine, Mill, and Smelter Workers. Mr. Pezzati is accompanied by Mr. Herman Clott, the Washington representative.

You have a statement, Mr. Pezzati?

STATEMENT OF ALBERT PEZZATI, SECRETARY-TREASURER, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS; ACCOMPANIED BY HERMAN CLOTT, WASHINGTON REPRESENTATIVE

Mr. PEZZATI. Yes, sir; I have a somewhat comprehensive statement, Senator Bennett, which is too long to read. It contains various exhibits and an appendix. But I have summarized it. And I think in the time available I will be able to get through the summary.

Senator MALONE. You would have your statement appear in the record complete and then you will give the summary?

Mr. PEZZATI. That is right, Senator.

Senator MALONE. Without objection, the statement will be published in the record, to follow the summary statement and questioning of Mr. Pezzati.

You may proceed, Mr. Pezzati.

Mr. PEZZATI. My appearance here today is on behalf of the vast majority of workers employed in copper, lead, and zinc mines, mills, smelters, and refineries in the United States who are represented by the International Union of Mine, Mill, and Smelter Workers.

My purpose is to urge upon Congress the enactment of legislation in this session that will prevent the further collapse of essential segments of the non-ferrous-metals industry.

Only within recent months, whole sections of this industry have been devastated by sharply falling prices as increasing supplies continue to exceed industrial needs.

We estimate that from 3,500 to 4,000 workers in lead-zinc mining—roughly 25 percent of the entire production force—have, thus far, lost their jobs in this most recent "recession." That represents an approximate annual wage loss of from $16¼ million to $18½ million.

At this point I would like to call your attention to exhibit 1, which is, I think, probably the most complete summary available to this date in one place of shutdowns and curtailment of operations, which indicate the loss of jobs.

Senator MALONE. What page is that?

Mr. PEZZATI. It is exhibit 1, following the last page, page 19 of the main statement.

Senator BENNETT. It is found following page 19 of the main statement, and will be so filed in your reference.

Mr. PEZZATI. Without taking the time to go over the whole thing, I think you will see that it shows pretty quickly at a glance that in every Western State there has been some pretty severe curtailment, both shutdowns of operations and also layoffs as a result of reduced operations, the supplies to almost every leading zinc-operating company in the whole Rocky Mountain area, and, of course, it extends to the tristate area, where more than 700 jobs have already been lost.

As a result, of course, of the shutdown of ore-producing mines, the cutbacks have extended to smelters further east, with the result that other curtailments have already taken place or shutdowns are scheduled to take place as far east, for example, as Pennsylvania, where the American Steel & Wire Co., in Donora, has a scheduled shutdown on November 1 which will affect some 450 jobs.

But the main thing to note is that no single ore-producing State, and particularly lead-zinc-producing State, has escaped these blows. And as I say, also, the exhibit itself is not quite complete, because the further reductions are taking place all the time.

Just before coming in here I was advised that every single mining operation in the State of Colorado is scheduled to be shut down, with the single exception of the Climax Molybdenum Co., in Climax, Colo.

To go on, then, with the statement: Income loss is but one measure—possibly not the most significant—of the effects of mine shutdowns. There is also a terrible waste of human and natural resources.

Few of the remaining lead-zinc mines still in operation can long survive unless the present downward trend of prices is sharply checked and reversed. Continued reduced output of lead and zinc ores will inevitably extend unemployment to many smelters and refineries.

This most recent slump in lead-zinc mining marks the third serious attack of "depression fever" that has shaken this industry since the end of World War II. From a postwar peak of nearly 23,000 employees in 1947, it is doubtful whether, today, many more than 13,000 employees earn their living in this section of the industry. Thus, over a period of less than 10 years, lead-zinc mining has suffered a nearly 44-percent drop in employment.

The present crisis was immediately precipitated by Government curtailment of the barter program, whereby surplus agricultural goods were exchanged for foreign metals, and the announced intention of terminating Government purchases for the long-range stockpile. Both of these programs, despite their limited effects, had bolstered the lead-zinc market over recent years. The fact that the removal, or just the proposed removal, of what were long recognized as only temporary relief measures could plunge the industry into such a sharp slump is, in itself, indicative of the deep-rooted nature of the illness.

For the past few years, United States Government purchases of lead and zinc had prevented excess world supplies of these metals from seriously depressing prices. The basic condition—unchecked rising foreign output, without a similar rise in world consumption—continued throughout this period. In recent months, reduced purchases by both industry and Government have unleashed a flood of imports on the American market which have seriously depressed prices.

The copper situation has also deteriorated sharply within the past year. We recognize that possible congressional action with regard to copper is not within the scope of these hearings. We do believe, though, that developing trends within the copper industry bear watching by all those concerned with the development of a healthy and sound United States mining industry.

Here again I would like to point out that exhibit 1 refers to shutdowns and layoffs in copper mining, which I believe are much more extensive than most people realize. In the most famous mining camp in this country, Butte, Mont., our figures show, by our own direct examination of the situation, that there have been some 1,461 jobs in copper alone, not to speak of zinc, which have been curtailed in the past several months. Not all of those people have lost their jobs irrevocably, some of them have been transferred to other operations. Nevertheless, our own figures show that Senator Mansfield's estimate that he made this morning of some 1,500 lost jobs is pretty accurate, in fact, our own figures, which we compiled directly, show that some 1,700 miners have lost their jobs in Butte, Mont., in these past few months. That includes zinc miners as well as copper miners.

And in the State of Nevada in the past few months, while the Kennecott operations have not been shut down, they have been curtailed to the extent that 330 miners have been laid off in that period.

As so it is likewise in other States like Arizona and the State of Washington.

So our position on that is that should the situation continue to deteriorate, we propose to urge upon Congress, as Senator Mansfield also suggested this morning, the enactment of legislation embodying a similar high peril point and increased import taxes for that metal as well.

The present crisis in lead and zinc mining is a direct outgrowth of the foreign mineral policy pursued by both this and the previous national administration. For over 7 years now, both administrations actively stimulated and promoted the development of foreign mines on similar premises: (*a*) That domestic supplies would be inadequate for our growing needs; (*b*) that we were in danger of becoming a "have not" Nation; and (*c*) that such foreign development was essential to our national security.

Mainly under the stimulus of United States Government assistance, foreign lead-zinc mine expansion has grown rapidly—during a period when United States mines, under constant pressure from more cheaply produced imports, have been on a continuous downward slide.

United States lead mine production last year was some 11 percent below the average level of production during the 1946–50 period. Over the same period of time, production in the rest of the world expanded by 72 percent.

United States zinc mine production dropped by over 12 percent from the 1946–50 period to 1956, while production in the rest of the world leaped upward by over 94 percent.

The exhibits dealing with these figures are numbered 2 and 3, and I won't bother to go into them now, in the interest of time, in view of the fact that somewhat the same figures have been presented by other witnesses here today.

Senator MALONE. Would you like to have them made a part of the record?

Mr. PEZZATI. Yes.

Senator BENNETT. They are already in the record, Senator.

Mr. PEZZATI. Thank you.

Zinc imports, last year, were at the highest level in the history of this country. They are now coming in at an even higher rate. Lead imports, last year, were also at an unusually high rate. And this rate of imports, as compared with American production, I might add, is contained in exhibits 4 and 5, which don't quite show, if I might interpolate here, Senator Bennett, don't quite show exactly what effect stockpiling had, or what the margin of production is over consumption, but I believe indirectly will indicate something of the nature of these two questions which you raised earlier this afternoon.

Now, foreign lead-zinc producers enjoy distinct competitive advantages over United States producers. Their ores are generally of higher grade and their wage rates are much lower than ours.

Canada is the only country in which earnings are nearly comparable to those paid in the United States. In Peru—a major source of lead and zinc, and a future source of vast amounts of copper—daily wages are less than one-half of what a United States miner earns in an hour. In other Latin American countries, daily wages frequently do not equal hourly United States earnings.

Throughout all of Africa, monthly wages paid native labor seldom equal daily earnings in the United States.

And here I would like to have your leave to call attention to exhibit No. 6, which I think paints a pretty revealing picture of the comparison between prevailing wages in our copper mines and in our lead and zinc mines, and those prevailing in other countries. There is just no comparison at all between a figure of $2.30 an hour in 1956, which doesn't even take into consideration the increased rate being paid today in copper, and $2.14 per hour for lead and zinc in the United States, and those which are listed down the page are mostly in South America, and also in Africa.

The one exception, as I have already indicated, is Canada, whose hourly rates of pay are much more nearly comparable to ours for mining in copper, lead, and zinc, and other metals than gold. But the problem of trying to compete with wages that are listed for those various countries that are obtained from official sources is a problem which deeply affects, of course, the man who works in the mines in this country.

This unequal competition has been the direct result of our Government's policy of stimulating foreign production of essential minerals.

We estimate, on the basis of such partial data as are available, that since 1950, total United States Government commitments for foreign minerals development and stockpiling have been over $1 billion.

And the basis for our estimate is contained in the appendix, which is the last supplement to the main statement.

We estimate that United States Government assistance in all forms for copper, lead, and zinc development and processing abroad, since 1950, has run, at a minimum, to between $300 million and $400 million. This figure is exclusive of Economic Cooperation Administration and regular stockpiling program purchases of these three metals.

Again, if I can, Mr. Chairman, you mentioned that you were under the impression that these commitments, loans, credit, and so on, for the development of foreign mining had been curtailed in recent years. But our own estimates, based on those official reports that are contained in the appendix, show on the contrary that it will be continued to be outlaid vast amounts for this purpose.

And I had a clipping which I seem to have mislaid from the American Metal Market of only last week, reporting that some $20 million was being advanced to Spain for the same purpose, for the purpose of developing the mining industry in Spain.

So that this, while it may have dropped off from what it was in the early fifties, certainly has not been shut off entirely, and still represents a problem.

Senator BENNETT. Isn't there this change in pattern, that most of the assistance, if that is what you call it, in the last 3 or 4 years has been in the form of loans through the various loaning agencies rather than grants?

Mr. PEZZATI. Yes; that is true.

The magnitude of the Government's efforts to stimulate overseas production of minerals, especially lead, zinc, and copper, raises the question as to the national interest in maintaining a healthy domestic mining industry in these metals. Increased overseas production has been regarded as important to the defense and security interests of the United States. We contend that even more essential to our national interest—both in terms of security and for the healthy development of our economy—is the preservation of our own domestic mining industry.

The United States domestic mining industry is the source upon which we would be forced to rely if, in any emergency, overseas sources of supplies were cut off. This must continue to be our main source of supplies for the expansion of our economy. Experience has shown—both in 1947 and in 1951; and I believe if you will turn back to the exhibits on imports, exhibits 4 and 5, this will be borne out—that foreign supplies may not always be available to us during periods of economic expansion.

In other words, during the period of the Korean war, when we were in need of lead and zinc, these imports were only, in lead, 66 percent of our domestic production; in zinc they were only 57 percent. Look at the difference now. In February of this year the ratio of imports to domestic mine production in lead was 186.9 percent. In other words, 86 percent more than the domestic production.

If we intend to rely on foreign sources during a period of emergency, then the record of history would show that this is a false expectation, because precisely during those periods of emergency is when the foreign supplies are not made available to us.

Therefore, our conclusion is that our own domestic mining industry is essential.

Now, what possible advantages would be gained for United States industry in securing foreign metals now at a possibly lower price, if the cost of such temporary advantage is the collapse of our own mining industry and the complete dependence of United States industry upon foreign sources of supply?

Mr. PEZZATI. In the interest of saving time, since I have interpolated a good deal, I would just as soon sum up the rest of our program, and I am sure you would not object.

I point out first that our own consumption of zinc last year, while it was at the second highest level in history, was still only 2 percent above what it was in 1955. In this same period, industrial production generally increased by nearly 28 percent.

Industrial use of lead last year was even less than it had been in 1950, to the extent of 2½ percent. In view of this whole situation we propose this program:

1. A sliding scale of import taxes that would become effective whenever domestic market prices of lead and zinc fall below specified peril points.

2. A quota system for imports whereby total imports would be geared to the estimated total consumption needs of the domestic economy, with individual quotas for each exporting country, based upon both past records of imports and relative wage rates.

Thus, in effect, preference would be given to those friendly nations which have traditionally been our main sources of supply and, in addition, we would be encouraging the raising of living standards in all countries that export to the United States.

We think, further, that there should be a greatly expanded research program for the development of new applications of copper, lead, and zinc. We believe that Congress should appropriate additional funds for extended research on new techniques of discovery and exploitation of low-grade ore.

We further support the proposals of Senators Johnson, Magnuson, and Mansfield for reexamining and reopening the avenues of world trade.

On specific bills, we think that S. 2375, which proposes an exploration program and the payment of production bonuses for certain minerals, should provide the necessary funds for more research on new techniques of discovery and exploitation.

On S. 2376, as I suggested already, we believe that while we are in general agreement with the purpose and principles of the bill, we think that the proposed schedules of excise taxes are too low. And we propose that they be made here.

Senator BENNETT. Would you generally agree with the figures that have been considered by the industry emergency committee which are higher?

Mr. PEZZATI. Yes; that is generally our position, and I want to elaborate on it a little bit—the statement does have some elaboration.

Now, we also at the very end here elaborate on why we believe there should be some quota arrangement, but I will let the statement speak for itself without taking any further time.

Thank you very much.

Senator BENNETT. We appreciate the statement and the exhibits for the record. They are very complete, and I am sure they will be useful.

(The prepared statement of Mr. Pezzati is as follows:)

STATEMENT BY ALBERT PEZZATI, SECRETARY-TREASURER, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS, ON PROPOSED IMPORT EXCISE TAXES ON LEAD AND ZINC

My appearance here today is on behalf of the vast majority of workers employed in copper, lead, and zinc mines, mills, smelters, and refineries in the United States who are represented by the International Union of Mine, Mill, and Smelter Workers. My purpose is to urge upon Congress the enactment of legislation, in this session, that will prevent the further collapse of essential segments of the nonferrous-metals industry.

THE PRESENT CRISIS

Only within recent months, whole sections of this industry have been devastated by sharply falling prices as increasing supplies continue to exeed industrial needs. The situation is especially acute in lead and zinc where the impact of mounting imports has already caused the shutdown of important mines in practically every western mining State, in the tristate area of Missouri, Oklahoma, and Kansas—and in numerous eastern producing areas.

Some indication of the extent of this devastation may be gathered from our first exhibit, Partial List of Work Curtailments in Lead, Zinc, and Copper. The list, as the title states, is only partial—we had neither the time nor the means to canvass the situation in every producing area. We have also heard of additional shutdowns and cutbacks in several of the eastern areas on which details could not be secured.

1. Shutdowns and unemployment

We estimate, on the basis of such partial information as we have been able to secure, that from 3,500 to 4,000 workers in lead-zinc mining—roughly 25 percent of the entire production force—have, thus far, lost their jobs in this most recent recession. That represents an approximate annual wage loss of from $16¼ million to $18½ million. Add to this the many millions more previously expended in materials, supplies, and local services and you can begin to appreciate the truly devastating economic impact of these shutdowns on the communities in which these mines operate. These communities are invariably one-industry areas wholly dependent upon mining for their economic sustenance.

2. Loss of human and natural resources

Income loss is but one measure—possibly not the most significant—of the effects of mine shutdowns. There is also a terrible waste of human and natural resources.

Miners are skilled craftsmen, whose long acquired skills are not readily adaptable to other industries. Other jobs in their community are rarely available and the loss of their job usually means abandonment of their homes and an expensive, if not futile, search for employment in other areas. Their special skills, not easily replaceable—as our experience in World War II showed—are forever lost.

A mine shutdown also invariably means that some significant part of our limited and irreplaceable mineral resources has been lost to the future needs of American industry. Unlike factories, mines cannot be shut down and reopened at will. The closing down of underground mines usually brings flooding and cave-ins. The ore lost through mine abandonment can later be recovered, if at all, only at greatly increased costs.

Many more mines, in addition to those listed in our exhibit, are now tottering on the brink—many of them are continuing operations only in the hope that this Congress will provide some form of relief for their present plight. Few of the remaining lead-zinc mines still in operation can long survive unless the present downward trend of prices is sharply checked and reversed. No single lead-zinc property, to our knowledge, can continue at its present level of operations under prevailing price trends.

3. Zinc-smelter curtailments

An as yet unknown number of layoffs have also occurred at United States zinc smelters in various parts of the United States. Many of these smelters, as is also shown in our exhibit, have effected production cutbacks that will, if they have not already, result in loss of employment. One smelter—the American Steel & Wire's Donora, Pa., plant—will close down, after 42 years of operation, on November 1 because, according to newspaper accounts, "plentiful supplies of zinc are available at prices lower than the cost of manufacture at the zinc works." The shutdown will affect some 450 workers—an additional 100 will remain to operate the auxiliary sulfuric-acid plant which will continue operation.

Continued reduced output of lead and zinc ores will inevitably extend unemployment to many smelters and refineries. The vast majority of such workers are employed at operations primarily dependent upon domestic sources of supply. A tabulation by the Tariff Commission in their 1954 study of the lead and zinc industries—the only known recent tabulation of its kind—showed that in the 1952–53 period, when ore imports were also at an unusually high level, about 75 percent of lead smelter and refinery workers were employed at operations processing mostly domestic ores; about 79 percent of zinc smelter workers were similarly engaged at operations processing mostly domestic materials.

4. Third postwar crisis

This most recent slump in lead-zinc mining marks the third serious attack of "depression fever" that has shaken this industry since the end of World War II. From a postwar peak of nearly 23,000 employees in 1947, employment dropped by 16 percent to a little over 19,000 in the first recession of 1949–50. Thereafter, it recovered to a 21,200 level in 1952, and dropped again—this time by 23 percent to an annual average of 16,400 in 1954. As recently as April of this year—the last month for which figures were available—the Bureau of Labor Statistics reported a total employment for lead-zinc mining (production and salaried) of 18,300. In view of the shutdowns and cutbacks since then, it is doubtful whether, today, many more than 13,000 employees earn their living in this section of the industry. Thus, over a period of less than 10 years, lead-zinc mining has suffered a 43 percent drop in employment.

5. Basic causes

The present crisis was immediately precipitated by Government curtailment of the barter program, whereby surplus agricultural goods were exchanged for foreign metals, and by the announced intention of terminating Government purchases for the long-range stockpile. Both of these programs, despite their limited effects, had bolstered the lead-zinc market over recent years. As is frequently the case, continued use of palliatives may relieve the symptoms without eradicating the basic underlying causes of the malady. The fact that the removal, or just the proposed removal, of what were long recognized as only temporary relief measures could plunge the industry into such a sharp slump is, in itself, indicative of the deep-rooted nature of the illness.

Within just a little over 2 months, the price of zinc—after holding at 13½ cents for over 16 months—dropped by 35 percent to its present level of 10 cents per pound. Lead prices also—after a slightly longer period at 16 cents—slumped to 14 cents per pound, a drop of 12½ percent.

For the past few years, United States Government purchases of lead and zinc had prevented excess world supplies of these metals from seriously depressing prices. The basic condition—unchecked rising foreign output, without a similar rise in world consumption—continued throughout this period. In recent months, reduced purchases by both industry and Government have unleashed a flood of imports on the American market which have seriously depressed prices.

6. Weaknesses in copper

The copper situation has also deteriorated sharply within the past year. We recognize that possible congressional action with regard to copper is not within the scope of these hearings. We do believe, though, that developing trends within the copper industry bear watching by all those concerned with the development of a healthy and sound United States mining industry. Should the situation continue to deteriorate, we propose to urge upon Congress the enactment of legislation embodying a similar higher peril point and increased import taxes for that metal.

Successive drops in the price of copper, now down to the early 1953 level of 29¼ cents, point up basic weaknesses in that metal. United States producers have sought to brake sliding prices by cutting back mine production; to date, production in the United States has been cut by possibly 8,000 tons a month. Outside of the United States, production curtailments—all in Africa—come to about 2,100 tons a month.

Here, too, as in the case of lead and zinc, foreign expansion of copper-mine output has far exceeded that in the United States, although, unlike the lead-zinc mining situation, there has also been a steady expansion of United States production. Within the next 4 years an additional 650,000 tons of copper per year will be coming into world markets from new mines in Peru, Chile, Canada, and Africa. Imports of foreign-produced metal have also shown a noticeable increase in recent months.

The effects of shutdowns in copper mining—relatively fewer, so far, than in lead-zinc mining, although still substantial—are also shown in our exhibit 1. Shutdowns to date have been limited to the Butte area in Montana, and to smaller mines in Arizona and Washington. Throughout Arizona, in Michigan, and in other copper mining areas, additional millions of dollars in wages have been lost through reduction of the workweek. In most of these areas, this has been equivalent to a 23-percent cut in weekly wages.

Most vulnerable to any possible further drop in the price of copper are the relatively high cost of underground producers in Michigan and Montana, as well as numerous smaller marginal producers. The Butte area, as the result of cutbacks in both copper and zinc production, has so far suffered a net employment loss of approximately 1,700 workers. Workers at the Calumet & Hecla smelter in upper Michigan have been on a 32-hour week since early March; the jobs of some 1,650 workers in both the Calumet & Hecla mine and smelter now hang precariously in the balance between the present price of copper and any possible further decrease.

HOW THE CRISIS DEVELOPED

1. Federal Government responsibility

The present crisis in lead and zinc mining is a direct outgrowth of the foreign mineral policy pursued by both this and the previous national administration. For over 7 years now, both administrations actively stimulated and promoted the development of foreign mines on similar premises—(*a*) that domestic supplies would be inadequate for our growing needs; (*b*) that we were in danger of becoming a have-not nation; and (*c*) that such foreign development was essential to our national security. All of these premises find expression in the many official reports and findings of numerous special commissions and regular departments in both administrations.

Federal Government responsibility for the development of the present lead-zinc crisis is acknowledged by Secretary of the Interior Fred A. Seaton. In a letter to the Honorable Richard M. Nixon, President of the Senate, dated June 19, 1957, he wote:

"The threat of injury faced by these industries stems largely from actions taken as a result of the Korean conflict. The Federal Government at that time stimulated production of many essential minerals at home and abroad in the free world. * * * Price controls in the United States held down the expansion of domestic production of lead and zinc and prevented domestic producers from taking full advantage of worldwide demand. Foreign producers, not subject to such price controls, expanded production rapidly.

"Following the armistice in Korea, anticipated demand for lead and zinc did not materialize, and prices declined sharply. Domestic producers promptly cut back their production but foreign producers generally did not. Some of them may have been able to write off their plant costs by the high prices they had received in foreign markets, or the grade of ore and labor costs may have permitted them to produce more cheaply. In any event, record imports of these commodities entered the country and domestic producers experienced distress. * * * The President * * * directed that procurement for the strategic stockpile and exchange of agricultural surpluses for lead and zinc be accelerated. These Government procurement processes have served to bolster the market for some time, but current market conditions are such that the lead and zinc industries again are threatened with substantial injury."

2. Foreign expansion

Mainly under the stimulus of United States Government assistance, foreign lead-zinc mine expansion has grown rapidly—during a period when United States mines, under constant pressure from more cheaply produced imports, have been on a continuous downward slide.

United States lead-mine production, last year—as shown in our exhibit 2—was some 11 percent below the average level of production during the 1946–50 period. Over the same period of time, production in the rest of the world expanded by 72 percent.

United States zinc-mine production—exhibit 3—dropped by over 12 percent from 1946–50 to 1956, while production in the rest of the world leaped upward by over 94 percent.

3. Growing imports

Foreign consumption of lead and zinc has not kept pace with the expansion of world output. All of Europe does not consume as much of lead or zinc as does the United States. The major producing areas outside the United States consume only small proportions of their production. The main share of that increased output, especially in periods of reduced demand, has been shipped to the United States.

When lead and zinc have been in world short supply, as they were during all of 1951, then foreign supplies—even at the high prices then being paid—could not be attracted to our shores. European consumers offered still higher prices, and foreign mines, many owned by United States interests, preferred the higher prices to the opportunity of fulfilling this country's security needs.

Zinc imports, last year, were at the highest level in the history of this country. They are now coming in at an even higher rate. Imports of 1956—as shown in our exhibit 5—exceeded our total mine production by over 43 percent. Such imports were more than double what they had been during the 1946–50 period. During the first 4 months of this year, we imported 276,000 tons of zinc; that is equivalent to an annual rate of 828,000 tons—equal to about 84 percent of all zinc used by United States industry last year. Since April, as domestic production has declined and imports have increased, the proportion of our needs supplied by foreign sources has undoubtedly increased still further.

Lead imports, last year, were also at an unusually high rate. In the first 4 months of this year—as shown in our exhibit 4—they have been coming into this country at a rate which, if sustained for the balance of the year, would be equivalent to 522,000 tons, or roughly equal to over 70 percent of all lead consumed by United States industry last year. In February of this year, imports exceeded mine production by some 87 percent. Here, too, as in the case of zinc, we have every reason for believing that these imports have been increasing still further since April of this year.

4. Competitive advantages of foreign mines

Foreign lead-zinc producers enjoy distinct competitive advantages over United States producers. Their ores, particularly in the newer mines, are generally of higher grade. Their main advantage lies in the very much lower wage rates paid to labor in these foreign mines. These exceedingly low rates, in most instances, more than compensate for the additional costs involved in shipping ore and metal to the United States, and for the heavier tax burden borne by foreign mines in some countries.

Our exhibit 6, Wages in United States and Foreign Mines, compares wages paid in United States mines with those paid in competitive mining countries.

Canada, it will be noted, is the only country in which earnings are nearly comparable to those paid in the United States. In Peru—a major source of lead and zinc, and a future source of vast amounts of copper—daily wages are less than one-half of what a United States miner earns in an hour. In other Latin American countries, daily wages frequently do not equal hourly United States earnings.

Throughout all of Africa, monthly wages paid native labor seldom equal daily earnings in the United States.

These low wages are the major source of the extra profitability of most foreign mines. United States mines, in spite of relatively advanced technology, cannot long compete with unrestricted imports produced at such low wage levels.

5. Foreign aid and national security

Mr. Seaton's statement, previously referred to, indicates that the Federal Government stimulated foreign production of many essential minerals during the Korean conflict. It has continued to do so since, and the full impact on world supplies of foreign mining developments financed by our Government has yet to be felt.

We estimate, on the basis of such partial data as is available, that since 1950, total United States Government commitments for foreign minerals development and stockpiling have been over $1 billion.[1]

The Export-Import Bank alone, since 1950, has authorized loans of over one-half billion dollars for foreign minerals development and processing, of which more than $300 million had actually been disbursed by December 31, 1956. A total of $204,537,500 was authorized for the development, mining, and processing of lead, zinc, and copper ores, of which $104,617,512 had actually been disbursed by December 31, 1956. Of the funds disbursed, more than $70 million was for lead and zinc.

We estimate that United States Government assistance, in all forms, for copper, lead, and zinc development and processing abroad, since 1950, has run, at a minimum, to between $300 and $400 million. This figure is exclusive of Economic Cooperation Administration and regular stockpiling program purchases of these three metals.

The Export-Import Bank has deemed it to be in the best interest of the United States to advance a loan of $100 million for the development of a new low-cost copper deposit in southern Peru. They have advanced some $55 million to Yugoslavia for the reconstruction of their mining facilities; repayment is being made by shipments of copper, lead, and zinc to the United States.

Other Government agencies—the General Services Administration, Mutual Security Agency, International Cooperation Administration, and others—have expended additional hundreds of millions to develop or to facilitate the development of nonferrous metal mines in Rhodesia, Morocco, Mozambique, Nigeria, and other parts of Africa—in Peru, Canada, and in various other parts of the world.

The magnitude of the Government's efforts to stimulate overseas production of minerals, especially lead, zinc, and copper, raises the question as to the national interest in maintaining a healthy domestic mining industry in these metals. Increased overseas production has been regarded as important to the defense and security interests of the United States. We contend that even more essential to our national interest—both in terms of security and for the healthy development of our economy—is the preservation of our own domestic mining industry.

The United States domestic mining industry is the source upon which we would be forced to rely if, in any emergency, overseas sources of supplies were cut off. This must continue to be our main source of supplies for the expansion of our economy; experience has shown—both in 1947 and in 1951—that foreign supplies may not always be available to us during periods of economic expansion.

What possible advantages would be gained for United States industry in securing foreign metals now at a possibly lower price, if the cost of such temporary advantage is the collapse of our own mining industry and the complete dependence of United States industry upon foreign sources of supply? The ultimate cause of such dependence—in terms of the far higher prices that United States industry would be compelled to pay—would far outweigh any temporary cost advantages that might now be secured.

Our domestic mining industry will be an even more important asset in the future as world consumption of basic nonferrous metals increases with the growth of population and industry throughout the world.

6. Lower consumption

The root cause of the present lead-zinc crisis, as we have already emphasized, has been the growing imbalance between world supply and demand. World production, we have shown, has expanded greatly in recent years. There has

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[1] The basis for this estimate is explained in our appendix, Basis of Mine-Mill Estimates of U. S. Government Outlays for Foreign Minerals Development and Stockpiling.

not been an equal growth in consumption of lead and zinc—neither in the United States nor in other countries.

Throughout the entire postwar period there has been a failure to develop new uses and markets for copper, lead, and zinc sufficient to absorb rapidly growing supplies. These nonferrous metals, although used at relatively high levels, have not shared in the general industrial expansion that has featured this period.

United States industrial consumption of zinc, last year, was at the second highest level in history, but was still only 2 percent above what it was in 1950. In this same period, industrial production increased by nearly 28 percent. Similarly, industrial use of lead last year, despite general boom conditions, was about 2½ percent less than it had been in 1950. During the first few months of this year, consumption of both lead and zinc has been at reduced levels.

Any proposed solutions to the present critical situation in lead-zinc mining must take account of the need for expanding use of these metals—both through new applications and through the development of new markets in all parts of the world.

PROPOSED REMEDIES

Our analysis of the causes of the present crisis, as presented above, forms the basis for our conclusions and recommendations as to the kind of congressional action that is called for.

1. Mine-Mill's program

We believe that both immediate and long-range programs are called for.

Immediately, we feel that some drastic treatment is necessary to prevent the United States lead-zinc industry from being smothered by foreign competition. The situation clearly requires prompt and drastic relief, and not alone from the point of view of the industry and the thousands of workers dependent upon it for a livelihood. The national interest clearly requires that this deteriorating situation be brought to a halt in order that these important domestic industries may be retained and stabilized.

The industry now requires and must have some real promise of price stability. That, we are convinced, can only be achieved through some limitation of imports that are now flooding our market.

We urge upon this committee that they recommend to Congress the passage of a bill embodying these general principles:

1. A sliding scale of import taxes that would become effective whenever domestic market prices of lead and zinc fall below specified peril points.

2. A quota system for imports whereby total imports would be geared to the estimated total consumption needs of the domestic economy, with individual quotas for each exporting country, based upon both past records of imports and relative wage rates. Thus, in effect, preference would be given to those friendly nations which have traditionally been our main sources of supply and, in addition, we would be encouraging the raising of living standards in all countries that export to the United States.

Over a long period of time, we believe that we must take positive action to look for and develop new markets for nonferrous metals, both in terms of new uses and applications, and expanded world trade—particularly to those countries with the greatest potential for economic development.

To that end—

1. We urge upon Congress and the industry the undertaking of a greatly expanded research program for the development of new applications of copper, lead, and zinc.

2. We further urge that Congress appropriate additional funds for extended research on new techniques of discovery and on exploitation of low-grade ore.

3. We similarly welcome the proposals of Senators Johnson, Magnuson, and Mansfield for reexamining the avenues of world trade. New trade, if placed upon a realistic business basis, should prove to be mutually advantageous to all countries and could conceivably open up greatly expanded markets for the products of this industry.

2. Pending bills

We have carefully examined all pending bills now before both Houses of Congress on the minerals program. Without now taking time to analyze each of these proposals, we can sum up our position by stating that, while many of these bills have much to commend them, no single bill, in our view, adequately meets its proposed objective.

We particularly want to confine our attention to the so-called administration bills, Senate versions of which have been introduced by Senators Watkins and Bennett, and cosponsored by Senators Allott, Bible, Carlson, Church, Goldwater, Knowland, Kuchel, Magnuson, Malone, Monroney, and Murray.

On S. 2375, having to do with a proposed exploration program and the payment of production bonuses for certain minerals—we believe that the scope of this bill should be expanded to cover necessary funds for more intensive research on new techniques of discovery and exploitation of low-grade ores.

On S. 2376, dealing with proposed sliding import taxes on lead and zinc when prices fall below specified peril points—we are in general agreement with both the purpose and the principles embodied in this bill. We believe, though, that in light of the unstable and fluctuating prices of both lead and zinc, the proposed schedules of excise taxes are too low to offer adequate relief. We base that conclusion on these considerations—

1. The proposed tax on zinc, at the present domestic price of 10 cents, would be 2 cents per pound. Assuming that this tax were fully effective in achieving a commensurate increase in the present price, it would still fall short of reaching the level the administration itself appears to consider necessary to prevent economic distress—namely, 14½ cents. There is no assurance, moreover, that lead and zinc prices will hold even at present levels or that the proposed taxes would be fully effective in raising domestic prices.

2. A study by the United States Tariff Commission showed that in the first 6 months of 1953, when zinc averaged 11.35 cents a pound, mines and mills averaged only three-tenths of 1 percent profit on net sales. Many operated at a loss. Today, with the price of zinc at 10 cents and operating costs considerably higher than 4 years ago, distress is much more widespread and acute among zinc producers. That study covered 126 zinc mines and 41 mills producing nearly half of the domestic output.

3. This same Tariff Commission study showed that 59 lead mines and 26 mills, producing more than half the domestic output, averaged a slim 7.9 percent profit on net sales. But two-thirds of these mines and mills, as a group, were running at a loss at that time. Lead was then 13.31 cents as compared with 14 cents today. Higher operating costs today more than offset this price differential, so that the profit position of domestic lead producers today is considerably poorer than in 1953.

3. *The need for quotas*

We also want to stress the need for some quota arrangement similar to that outlined by us above. Higher excise-tax rates, while necessary, may not be fully effective in meeting the situation which faces our domestic industry today. As we have already indicated, foreign production of zinc has nearly doubled, compared with 1946–50 average production, while foreign lead production has gone up 72 percent. Most of this increase has taken place in areas where substandard wages prevail, and production costs are correspondingly low. Imports from low-wage areas might continue in excessive volume despite the excise tax, while producers in Canada, where wage standards and costs in general are more nearly comparable with our own, would be more likely to be adversely affected, especially if excessive imports from low-wage areas continued to exert a depressing effect on United States prices.

To meet this problem, our union believes that higher excise-tax rates should be coupled with a system of import quotas for both lead and zinc which would prevent flooding of the American market, and thus permit the excise taxes more fully to exert an influence on prices. These quotas should be set at levels which will assure an adequate supply, and should be allocated so as to assure a continuing share of the American market to those countries which have established themselves historically as sources of supply. This would follow the precedent set in the allocation of our foreign sugar quotas. We also propose that additional credits be allocated for countries with higher wage levels—in proportion to the extent to which such levels most nearly approximate those in the United States. Under this arrangement, Canadian producers, who otherwise might be forced out of the United States market, would be able to participate at stabilized prices, and could offset the excise tax paid against the higher prices received for exports to the American market. For American producers, the excise-tax-quota arrangement would offer certain relief from existing depressed price levels, and assurance of future price stability under which the domestic industry could continue to fulfill its important role as the major source of strategic metals.

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MINE-MILL EXHIBIT 1.—*Partial list of work curtailments, in lead, zinc, and copper*

SUMMARY, LEAD-ZINC MINES ONLY

Estimated loss of jobs to July 1957—3,500 to 4,000
Estimated loss of wages [1]—$16,241,680 to $18,561,920

1. LEAD-ZINC MINES—SHUTDOWNS AND LAYOFFS

State	Company	Location	Date of shutdown	Number of jobs lost
Arizona	American Smelting & Refining [2]	Patagonia		(3)
	Coronado [4,5]	Dragoon	July 15, 1957	135
	San Xavier [2]	Twin Buttes	June 1957	35
California	Anaconda [2]	Darwin-Shoshone	About June 1957	219
Colorado	American Smelting & Refining [2]	Crested Butte	July 1957	80
	Combined Metals [2]	do	do	30
	New Jersey Zinc [2,6]	Gilman	July 1957 (scheduled)	(3)
	Resurrection [2]	Leadville	do	150
	Small leases [2]	do	do	50
Idaho	American Smelting & Refining [4]	Coeur d'Alene (Frisco)	December 1956	100
	Nabob [4]	Coeur d'Alene	June 1957	20
	Triumph [4]	Hailey	July 12, 1957	125
Missouri-Oklahoma-Kansas (tristate district).	American Zinc [2]	Picher, Okla	June 1, 1957	100
	Eagle-Picher [2,7]	Tristate area (several mines)	June 1957	550
	National Lead [4,6]	Galena, Kans	do	75
Montana	Anaconda [4]	Butte:		
		Lexington	January to July 1957	481
		Orphan Girl		38
		Trevonia [8]		97
		Badger		322
		Missoula [9]		14
		Total [10]		952
Nevada	Combined Metals [2]	Pioche	Scheduled for August 1957	150
New Mexico	American Smelting & Refining [4]	Bayard and Deming	July 15, 1957	207
	New Jersey Zinc [4,6]	Bayard	July 1957	18
	Peru Mining [4]	do	May 1957	102
Utah	Chief Consolidated [2]	Eureka	June 15, 1957	70
Washington	American Smelting & Refining [2]	Colville	July 1957	80

See footnotes at end of table.

MINE-MILL EXHIBIT 1.—*Partial list of work curtailments in lead, zinc, and copper*—Continued

2. ZINC SMELTERS—PRODUCTION CUTBACKS

State	Company	Location	Nature of curtailment	Date
Arkansas	Athletic Mineral & Smelting [2]	Fort Smith	40 percent reduction	June 11, 1957.
Illinois	New Jersey Zinc [4]	Depue	[11]	
Montana	Anaconda [4]	Great Falls	12½ percent reduction	In past few months.
Pennsylvania	American Steel & Wire [2]	Donora	Shutdown (450 to bel aid off)	Due Nov. 1.
	New Jersey Zinc [4]	Palmerton	[11]	
Texas	American Zinc [2]	Dumas	10 percent reduction	July 1, 1957.
	American Smelting & Refining [2]	Corpus Christi	30 percent reduction	Do.

3. COPPER MINES—SHUTDOWNS AND LAYOFFS

State	Company	Location	Date of shutdown	Number of jobs lost
Arizona	Banner Mining [4]	Tucson	2 of 3 mines shutdown in June-July 1957.	118
	Coronado [4] [5]	Dragoon	July 15, 1957	135
Montana	Anaconda [4]	Butte:		
		Steward		113
		Mount Con		405
		Granite Mountain		11
		Belmont	January to July 1957	475
		Ryan Shaft [9]		29
		Leonard Fire Fill		28
		Kelley		400
		Total [10]		1,461
Nevada	Kennecott [4]	Ruty-Ely	Past few months	[12] 330
Washington	Howe Sound [4]	Holden	Tobe completed by September	180

[1] Estimated on basis of average industry earnings in 1956.
[2] Information secured from newspaper story.
[3] Not available.
[4] Information secured from direct report to Mine-Mill Research Department.
[5] Copper and zinc.
[6] Partial layoff.
[7] Company shut down all mining, milling, and smelter operations on Apr. 29. Smelter reopened May 9. Mines reopened June 3, and shortly thereafter half of work force was laid off.
[8] Zinc and manganese mine.
[9] Development project.
[10] Some of men laid off at these mines have been hired at other properties. Net employment loss in Butte—all operations—has been about 1,700 workers. In addition, the largest zinc mine in the district—the Anselmo, with 500 workers—will shut down (we have been informed) if the zinc price drops below 10 cents.
[11] Reduction by New Jersey Zinc at both smelters totals 2,500 tons monthly.
[12] Total drop in employment due to partial layoffs and nonreplaced quits.

MINE-MILL EXHIBIT 2.—*Lead mine production*

[Thousand short tons]

	United States [1]	Rest of world [2]		United States [1]	Rest of world [2]
1946-50 (average)	390.2	1,188.4	1954	325.4	1,897.1
1951	388.2	1,505.1	1955	338.0	2,028.6
1952	390.2	1,640.2	1956	348.3	2,043.9
1953	341.9	1,751.9			

[1] Down 10.7 percent.
[2] Up 72 percent.

Source: Data to 1955 from U. S. Bureau of Mines. Mine Production of Lead. Monthly Report No. 191, April 1957. United States 1956 figures from U. S. Bureau of Mines. World 1956 figures estimated from data contained in Yearbook of the American Bureau of Metal Statistics. Issued June 1957. Estimate includes estimated production for countries not included in ABMS figures.

MINE-MILL EXHIBIT 3.—*Zinc mine production*

[Thousand short tons]

	United States [1]	Rest of world [2]		United States [1]	Rest of world [2]
1946-50	611.8	1,438.2	1954	473.5	2,486.5
1951	681.2	1,918.2	1955	514.7	2,685.3
1952	666.0	2,204.0	1956	537.6	2,792.4
1953	547.4	2,432.6			

[1] Down 12.1 percent.
[2] Up 94.1 percent.

Source: Data to 1955 from U. S. Bureau of Mines. Mineral Trade Notes, vol. 43, No. 3. September 1956. United States 1956 figures from U. S. Bureau of Mines. World data for 1956 estimated from data contained in Yearbook of American Bureau of Metal Statistics. Issued 1957. Estimate includes estimated production for countries not included in ABMS figures.

MINE-MILL EXHIBIT 4.—*United States lead mine production and imports*

[Thousand short tons]

	Mine production	Imports	Ratio of imports to mine production
			Percent
1946-50 (average)	390.2	336.0	86.1
1951	388.2	257.9	66.4
1952	390.2	628.1	161.0
1953	341.9	552.3	161.5
1954	325.4	443.4	136.3
1955	338.0	462.2	136.7
1956	348.3	479.3	137.6
1957—January	30.2	34.3	113.6
February	29.1	54.4	186.9
March	30.9	39.3	127.2
April	31.5	42.3	134.2
Total, 4 months	[1] 121.8	170.3	139.8

[1] Total does not equal sum of individual months because of rounding.

Source: U. S. Bureau of Mines.

MINE-MILL EXHIBIT 5.—*United States zinc mine production and imports*

[Thousand short tons]

	Mine production	Imports (slab and ore)	Ratio of imports to mine production
			Percent
1946-50 (average)	611.8	381.4	62.3
1951	681.2	390.8	57.4
1952	666.0	565.3	84.9
1953	547.4	748.3	136.7
1954	473.5	612.3	129.3
1955	514.7	673.7	130.9
1956	537.6	770.8	143.4
1957—January	49.2	69.7	141.7
February	45.8	65.6	143.2
March	50.4	65.0	129.0
April	51.0	75.7	148.4
Total, 1st 4 months	[1] 195.5	276.0	141.2

[1] Total does not equal sum of individual months because of rounding.

Source: U. S. Bureau of Mines.

MINE-MILL EXHIBIT 6.—*Wages in United States and foreign mines*

Country	Year reported	Type of work	Wages	Equivalent in United States currency at official rates [1]
		United States mines		
United States [2]	1954	Copper mining	$2.05 per hour	
Do	1955	do	$2.17 per hour	
Do	1956	do	$2.30 per hour	
Do	1954	Lead-zinc mining	$1.89 per hour	
Do	1955	do	$2.01 per hour	
Do	1956	do	$2.14 per hour	
		Foreign mines		
Australia [3]	1955	Mining	7s. 6d. per hour	$0.84.
Bolivia [4]	1953	Tin mining	309.01 to 418.62 bolivianos per day plus fringe benefits.	$1.63 to $2.20.
Canada [5]	1954	Metal mining other than gold.	$1.754 per hour	$1.80.
Do	1955	do	$1.799 per hour	$1.82.
Do	1956	do	$1.907 per hour	$1.94.
Chile [4]	1953	Copper mining	338.46 pesos per day, average	$3.08.
Colombia [4]	1953	Miners	11.14 pesos per day, average	$4.46.
Mexico [6]	1955	Driller	19 pesos per day	$1.38.
Nyasaland [7]	1955	Unskilled native labor.	17s. 6d. per 30 working days [8]	$2.45.
Peru [9]	1957	Copper-lead-zinc mining.	Not available	$0.85 to $1 per day.[10]
Philippines [3]	1954	Mining	106 pesos per month	$53.
Rhodesia, Northern [7]	1954	Native labor, copper, surface.	£4 minimum per month [11]	$11.20.
Do	1954	Native labor, copper, underground.	£4. 10s. minimum per month [11]	$12.60.
Rhodesia, Southern [3]	1954	Native labor, mining, surface.	61s. 2d. per month average [12]	$8.56.
Do	1954	Native labor, mining, underground.	73s. 4d per month average [12]	$10.27.
South Africa [13]	1954	Native wages	£8. 10s. monthly average	$23.80.
Yugoslavia [3]	1955	Mining and quarrying.	54 dinars per hour	$0.18.

[1] Official rates for some South American countries have highly overvalued their currencies in relation to free or unofficial market rates.
[2] U. S. Bureau of Labor Statistics. Employment and Earnings. June 1957.
[3] International Labor Office. Yearbook of Labor Statistics 1956. Geneva. 1956.
[4] U. S. Senate Subcommittee on Minerals, Materials, and Fuels of the Committee on Interior. Critical Materials. 84th Cong., 1st sess. Document No. 83. Washington. July 1955.
[5] Dominion Bureau of Statistics. Review of Man Hours and Hourly Earnings, 1946–56. Ottawa. 1957.
[6] U. S. Bureau of Foreign Commerce. Investment in Mexico * * *. Washington. June 1955.
[7] U. S. Bureau of Foreign Commerce. Investment in Federation of Rhodesia and Nyasaland * * *. Washington. 1956.
[8] Statutory minimum.
[9] Report of Delegate to Inter-American Mining Congress, Lima, Peru, May 1957, as reported in Labor's Daily for May 29, 1957.
[10] Plus housing.
[11] Plus rations and housing.
[12] Not including bonuses and cost of living and other allowances.
[13] U. S. Bureau of Foreign Commerce. Investment in Union of South Africa * * *. Washington. 1954.

APPENDIX

BASIS OF MINE-MILL ESTIMATES OF UNITED STATES GOVERNMENT OUTLAYS FOR FOREIGN MINERALS DEVELOPMENT AND STOCKPILING

United States governmental assistance in the development, mining, processing, and transportation of foreign nonferrous minerals has taken the form of Export-Import Bank loans, General Service Administration loans, Defense Materials Procurement Agency credits, Economic Cooperation Administration, and successor agency dollar loans and grants, and foreign currency purchase contracts and grants for exploration and development, purchasing operations under the stockpiling program, and loans through the International Bank for Reconstruction and Development.

The union, in the time available to it for preparation of this testimony, has collected the following data regarding these activities:

Export-Import Bank: Credits authorized for minerals development, 1950–56 [1]	$512, 746, 774
Export-Import Bank: Special operations in Spain, minerals development, credits authorized 1951–53 [1]	13, 416, 461

[1] Export-Import Bank, Report to Congress for the Period July–December 1956. Totals only for loans identifiable as for minerals development.

Deficiency and basic-materials development, disbursements against credits authorized, through Dec. 31, 1956:[2]	
International Cooperation Administration	30,055,000
General Services Administration	116,554,000
Strategic and deficiency materials development, disbursements against credit authorized by General Services Administration, through Dec. 31, 1956:[2]	14,409,000
Economic Cooperation Administration:[3]	
Purchases of strategic materials for stockpiling through Dec. 31, 1951	103,000,000
Exploration and development contracts signed through Dec. 31, 1951	114,000,000
Exploration and development contracts pending, Dec. 31, 1951	105,000,000
International Bank for Reconstruction and Development:[4]	
Loan for modernization of coal mines, copper mines, expansion of ore-flotation plant, new electrolytic zinc plant, and other nonmining projects, October 1951	28,000,000
Loan to Belgian Congo for transportation development to facilitate minerals production, September 1951	70,000,000

[2] Department of Commerce, Office of Business Economics, Foreign Grants and Credits by the U. S. Government, December 1956.
[3] The President's Materials Policy Commission, Resources for Freedom, vol. V, Rept. 15.
[4] The President's Materials Policy Commission, Resources for Freedom, vol. V, Rept. 13.

Every effort has been made to avoid duplication in the presentation of the above items, which total $1,107,181,235. Any possible duplications which may occur above, and any amounts for nonmineral strategic materials that may be included in the totals, would be heavily offset by items which it has not been possible to quantify, including the following:

1. Purchases of foreign minerals for stockpiling other than through ECA.
2. Loans for minerals development by International Bank for Reconstruction and Development since 1951.
3. Grants for minerals exploration, development, processing, and transportation under United States Government foreign aid program.
4. Minerals received in exchange for agricultural surpluses.

It is believed that item No. 3, in the aggregate, would bulk very large in comparison with the other items for which figures are given. The great bulk of our foreign aid program, of course, has been in the form of grants. Unfortunately it has been impossible to derive from the operating reports of the International Cooperation Administration and predecessor agencies any breakdown of overall figures to indicate activity in the minerals field.

Accordingly the Union's estimate of over $1 billion in United States Government commitments for foreign minerals development and stockpiling since 1950 is, if anything, on the conservative side. The figure of $300 to $400 million for foreign lead, zinc, and copper development is believed to be similarly conservative.

Senator BENNETT. Does the Senator from Nevada have any questions of the witness?

Senator MALONE. Your name is Mr. Pezzati?

Mr. PEZZATI. That is right, sir.

Senator MALONE. You are the secretary-treasurer of the International Union of Mine, Mill and Smelter Workers?

Mr. PEZZATI. Yes.

Senator MALONE. Mr. Pezzati, I think your statement is very expressive, and very much to the point.

Now, in this sliding scale do you believe that the duty or tariff or whatever you call it—the Constitution of the United States calls it a duty in article I, section 8, and fixes the responsibility on Congress to do the job.

Congress designated the Tariff Commission, an agent of Congress, to do it, under this very sliding scale in 1930.

Are you aware of that fact?

Mr. PEZZATI. Yes, sir.

Senator MALONE. Do you remember how the section 351, or whatever the section is—it will be corrected in the record if I am wrong in the number—directs the Tariff Commission, an agent of Congress, to determine the difference in the cost of a domestic article and a foreign article or like article, and considering the wages and the taxes and the cost of doing business, and all pertinent data, and to recommend that difference as the tariff; are you aware of that?

Mr. PEZZATI. Yes, sir.

Senator MALONE. Isn't that what you are talking about, really?

Mr. PEZZATI. I believe that goes to the point of what our statement is all about.

Senator MALONE. So, when you say, as the administration has now said for the first time in 24 years, and for which I am very grateful, that there is a differential necessary, whether you call it a tariff or an excise tax or a duty or a fixed price, to make up that difference in the labor cost and the taxes and the cost of doing business here and the chief competing country, there is a necessity for that difference, then it only remains to determine the best and the most logical way of arriving at that difference; isn't that true?

Mr. PEZZATI. Right.

Senator MALONE. Now, I think your statement is very good, that you approve of this bill; I am supporting it myself, because, as I have said previously a time or two, it is the first time that any administration in 24 years has recognized the necessity for it. In my opinion, the way it is set up it will not work; we will be back here considering something else within a reasonable time. But at least it is a start. Now, let me ask you, what caused the trouble in the first place? It was a reduction of the duty sometime along in the last few years, was it?

Mr. PEZZATI. Well, it was certainly a combination of overproduction without sufficient consumption, and a depression of rises which made a better market for foreign-produced ores, because of their ability to produce more cheaply, a better market for those ores in this country than for our own.

Senator MALONE. Now, you are aware of the fact that in many of these foreign countries that are directly competitive with us, South Africa and others, we pay more for each workingman—and when I say "we," the industrials that are footing the bill—for industrial insurance and social security for each workingman than they pay in wages; are you aware of that fact?

Mr. PEZZATI. I would not be surprised.

Senator MALONE. Why don't you check it? I would like for you to check it and say "Yes" or "No."

Mr. PEZZATI. Of course, our own wage scale is contained here in the exhibit; that would certainly bear that out.

Senator MALONE. Well, of course, it does, because it is somewhere between 10 and 15 percent of the wages; we pay around $17 a day in the mining areas, and it is from 50 cents to $2.50 in many of these competitive areas, isn't it?

Mr. PEZZATI. Yes.

Senator MALONE. Neither do they have any industrial insurance or social security in these competitive areas for a miner.

Mr. PEZZATI. Well, I do know that in some of the countries in question there are various systems of social security, unemployment insurance, and other forms of what we call fringe benefits. But the details I am not too familiar with.

Senator MALONE. Well, there is nothing like we provide here.

Mr. PEZZATI. No; of course not.

Senator MALONE. Well, now, then you say overproduction, the overproduction is only considering all of the imports plus the domestic production, isn't it, the overproduction, more than the consumption?

Mr. PEZZATI. That is right.

Senator MALONE. As a matter of fact, now we produce less than half of the zinc and lead consumed in the United States, do we not?

Mr. PEZZATI. Yes; I think you will find that in the exhibits here.

Senator MALONE. And we did produce more than three-quarters of it when we were running along normally and had a duty that made up roughly that difference in the wages and taxes and cost of doing business here and in the chief competing nations, did we not, a few years ago?

Mr. PEZZATI. I believe that is so.

Senator MALONE. So your table there is very interesting to me; it shows a continual decrease in domestic production, and a continual increase in foreign imports, for the very reason then, would not you suppose, that there is not enough duty or tariff to make up the difference? Mr. Pezzati, do you think that is about right?

Mr. PEZZATI. That is exactly the point that we are arriving at.

Senator MALONE. Of course, it is. And we might as well talk about it. I have learned a long time ago there is no use dodging anything; it will hit you anyway. So, as a matter of fact, if you had that differential that we have described now several times for the record, and it could be called a periol point, if you determined today the point at which the business would be imperiled if the production went below that point, then that would be the peril point?

Mr. PEZZATI. Right.

Senator MALONE. Then that is the thing that you continually want, whatever the peril point is tomorrow or today or 6 months from now; is that right?

Mr. PEZZATI. That is right.

Senator MALONE. Then if you had the imports, if any would come in on your basis of production costs, and if you needed more than we produced here, it would come in without any additional cost, would it not?

Mr. PEZZATI. Correct.

Senator MALONE. Did you ever hear anybody say they were for a high tariff or a low tariff? They were just for this differential, weren't they?

Mr. PEZZATI. That is another way of putting it.

Senator MALONE. You are not for a high tariff to keep everything out, are you?

Mr. PEZZATI. No; as a matter of fact, this is why we propose the quota system, which would take into consideration the wage structure of the various exporting countries.

Senator MALONE. I think that might help. But I would like for you to give it a little more consideration, because if you have a continual differential in a tariff, then the imports only come in when you need them; isn't that about right?

Mr. PEZZATI. That is about it.

Senator MALONE. Then you would be competing here for the American market, wouldn't you?

Mr. PEZZATI. Exactly.

Senator MALONE. And if you produced more than the American market would absorb, then the less competent producers would naturally fade out of the picture, wouldn't they?

Mr. PEZZATI. That would inevitably happen.

Senator MALONE. You wouldn't object to that, would you?

Mr. PEZZATI. No.

Senator MALONE. I never heard anyobdy object to it; just so you could compete fairly for the American market, that is all you want?

Mr. PEZZATI. That is the general position.

Senator MALONE. Well, we used to have that policy, and the 1930 Tariff Act provides for that policy, as you have already testified. In 1934 we passed an act called the 1934 Trade Agreements Act, that was sold to this country on the basis of reciprocal trade; isn't that about right?

Mr. PEZZATI. That is as I understand it; yes.

Senator MALONE. And then, according to Mr. Dulles' testimony, which I have quoted before—but I want you to comment on it if you have any comment—he has testified that the 1930 Trade Agreements Act as extended to June 1958 gives them the full power, the administration, the full power to consider the overall international benefit to the United States, and, if that entailed a lowered tariff or duty on any particular product, even to the detriment of that business, that they judged the overall goodwill—and it was for the benefit of the United States of America internationally overall—then that act empowers them to go through with that duty and curtail that industry or completely abolish it; you are familiar with that testimony, aren't you?

Mr. PEZZATI. Yes, sir. I would like to make this comment, that I think I have already commented on it, Senator Malone, in pointing out that our own belief is that our own domestic industry is more essential to our national security than the general structure of international relations, which have certainly affected the mining industry. We in the past have had a pretty traditional free-trade attitude in this union that I represent. But we have been hurt too badly. And frankly, we have begun to change our sights with regard to the whole question of policy in this respect.

Right now we want done immediate measures, as practical and achievable as they may be. If we continue to get hurt, we will no doubt be ourselves clamoring for more long-range and more effective policies, even though they may be vastly different from our previous attitude on trade.

Senator MALONE. Your statement is very interesting to me, because it indicates that you had not thoroughly understood some of the ramifications of the policy to start with.

Mr. PEZZATI. Well, I don't think I have studied it as long as you have, Senator.

Senator MALONE. Well, you should have studied it over a longer period than I have, because it is your job at stake. My job is not at stake; it is only at stake for many other factors when I run for reelection.

Now, if that is what you want, your quota system may be helpful as a patchwork; but a quota system doesn't cure anything, it is simply a patchwork that is allowed to be put in by an administrative official whenever he feels like it, or whenever the record shows to his savings it is needed, because it has to have some kind of a sliding scale too. Now, when you become dependent on foreign nations—let's leave out the national-defense angle for a minute—for all of a certain product that you cannot live in peace without, or war either—doesn't that tend to put out in their power, so that they can propose further treaties and agreements that you are almost forced to sign?

Mr. PEZZATI. I suppose that accompanies the general situation.

Senator MALONE. We become dependent on India, for example, for monazite sand, which is something that you need in your atomic power; and in peacetime they stopped that, they said it was not convenient for any more of that to be exported, thinking that we couldn't get it anyplace else; but of course, we could, and do.

Now if we depend on India for a few hundred thousand tons of manganese, you couldn't get a ton of it during wartime, or in case of a threat of war, or for any reason, if they said the same thing about manganese, and they did about monazite sand, you couldn't do anything about it, if they said it was not convenient to ship any more manganese to the United States; could you?

Mr. PEZZATI. Not at all.

Senator MALONE. Then you are in their power, then they could propose some kind of a further trade agreement or further agreement on some other subject, and there would be a little pressure there to sign it; wouldn't there?

Mr. PEZZATI. I suppose there would.

Senator MALONE. That is what has been going on for 25 years. Now, if we go into Spain to produce a mineral which we know they can produce there cheaper than we can here with their wage scale, so can Italy; wouldn't we be in the same position?

Mr. PEZZATI. Exactly; and furthermore, I would like to repeat again the fact that history, the recent history of the last 10 years, shows that when we do need the metals we haven't been able to get them; because, in times of shortage, higher prices prevailing outside will lead those metals to that market rather than to our market here.

Senator MALONE. Isn't it a fact, when you look over the record, that where the statement has long been made over a 24-year period that our consumers are entitled to lower price, if produced by the lower wages and lower cost, that, as a matter of fact, after our industry goes out of production, then the price rises to what the traffic will bear higher; isn't that the history of it?

Mr. PEZZATI. That is exactly what has happened.

Senator MALONE. So then as a matter of fact not even the customer benefits when we go out of business.

Mr. PEZZATI. True.

Senator MALONE. The record is replete with instances where we have contracted with nations for manganese and for tungsten, and for many other critical materials at a higher price than you could get it here if you had a principle of a duty or tariff to make up that difference that you have described; isn't it?

Mr. PEZZATI. Right.

Senator MALONE. I heard my colleague this morning, Senator Bible, say that there are $60 million worth of contracts for tungsten, foreign contracts, and the average price, I happen to know is $53 a ton, some as high as $59 a ton, and they are going through with that, whereas we refused to continue the $55, refused it in the House, for domestic. And I think the showing through with these contracts, because they are made in good faith, but they never should have been made, because it should have been obvious to anybody that we had all the tungsten in the country we needed if there was just a price that made up the difference or a tariff to make up that difference in labor costs.

Now, I think if our chairman agrees with me that we would ask the present head of the Mutual Security—and he has at his hand all the records of the ECA and the Marshall plan all the way back—I know you have searched those records at different times—and we have advanced millions upon millions of dollars to develop strategic and critical materials and minerals abroad, and zinc and lead is included in that category—and I woud like now to have it all added up, and I am going to ask the chairman to ask for that information.

I read an excerpt this morning that there had been money loaned. And, of course, when you loan money, these foreign countries—I guess you know what the record is, we can tell our people that we are going to get it back, but we never do. We loaned $3¾ billion to England, that was in 1946, before I arrived here—I didn't get a chance to vote against that, I have voted against all of it since—and that was supposed to be the last, everything that they needed. But this is where they got some of the money, and a little later from the Marshall plan, to buy up the zinc and lead that they used to break the market later after the war. And they did break it, sold it right here in this country for 10 cents a pound, which is all a matter of record, and can be documented, has been documented.

So let me ask you the final question here, and I think your testimony is very important. Isn't the question, then, this matter of principle—and I am talking now about the economic structure of this country, leave out the national defense and all the rest of it that we are all fairly familiar with—that the economic structure of this country is dependent upon 5,000 to 6,000 production, isn't it, a multitude of production, and production produced in every little community in the United States; isn't that about right?

Mr. PEZZATI. I would say so.

Senator MALONE. Whether it is a textile mill, whether it is a munitions mill, or whether it is a mineral, a mining production, that little community, the economic structure of that community is a part of the whole economic structure of the Nation, that is right, isn't it?

Mr. PEZZATI. That is right.

Senator MALONE. Well, then that economic structure of the Nation depends upon paying the wages that we pay in this country, and the taxes, and the cost of doing business generally, to complete that structure, doesn't it?

Mr. PEZZATI. Unless we pay the wages, the economy will fall.

Senator MALONE. Yes. Now, those wages are subject to negotiation, I mean that is up to the producer and the workmen themselves under our system, they negotiate, and if there is a better system no doubt we will finally arrive at it—but wages are fixed that way, aren't they?

Mr. PEZZATI. That is the way the prevailing wages in basic industry are certainly fixed, and it is a good way to fix them.

Senator MALONE. Now, if we want to break those wages, then a good way to do it is to just continue to lower the tariffs, or the duties, or whatever you would like to call them in the record, and then you either have to meet them, meet those wages and costs, or go out of business, don't you?

Mr. PEZZATI. Now you have hit at the main reason why as a union we are so concerned with this question. We are concerned with two things; first, jobs; and secondly, jobs at the highest rate of pay that we can reasonably obtain. Well, if our jobs are threatened, certainly our wage skills are threatened in the mining industry.

Senator MALONE. You could contain those wages and keep those mines in operation if you wanted to work for the same wages they do abroad, couldn't you?

Mr. PEZZATI. Easily. I suppose that 10-cent zinc could be sold if the miners would agree to a much smaller wage scale. But I don't think the miners are going to agree.

Senator MALONE. Well, if this thing is carried on to a logical conclusion—it isn't logical for a civil war—you would either have to do that or be on the street, wouldn't you?

Mr. PEZZATI. That has been known to happen too.

Senator MALONE. What I would like to ask you, then, isn't this an argument between the workingmen of America and what I call small business, and that is business that is of such a nature or size that it can't go abroad where it uses these low wages and can furnish the market higher and bring it back here in cooperation with their plants and the internationally minded investor, isn't that your argument?

Mr. PEZZATI. That is substantially it.

Senator MALONE. Because if we assume perpetual peace and we are never going to have another war, then there is nothing really against having just a free interchange of production all over the world, if that is good for this country, is there?

Mr. PEZZATI. Provided it is good for this country and good for the economy of this country.

Senator MALONE. Of course, it would wreck our present economic structure, but then look ahead of that when everybody is living alike all over the world; we would all come up together, couldn't we? That is the argument.

Mr. PEZZATI. When we reach that goal and age then we won't have the problem that is before the committee here today.

Senator MALONE. Then, instead of doing that, just lowering the tariffs and duty without in relation to the difference in the cost of production, wouldn't it be better to hold our standard of living, while we are helping all these other people, at least being a good neighbor, and simply go back to the old system of fixing the duty or tariff on the basis of fair and reasonable competition, so that you do not have it high enough to preclude any imports on the same basis of costs, but that you have an equal shot at your own market; wouldn't that be a pretty good method?

Mr. PEZZATI. That is a fair way of putting it; yes, sir.

Senator MALONE. Now, all Congress has to do—of course, we do have a bill before this committee, and there is one over in the House, straight cooperation that would approve what they are doing in Geneva with 34 foreign competitive nations, we are continually lowering our duties and tariffs in accordance with a law passed by this Congress, they do that through multilateral trade agreements—but I don't think it is going to pass. I have a little news for the people who want that thing passed this year, we didn't pass the International Trade Organization, you remember, in 1951—you didn't know what that was then, but I think you know what this one is—and it would approve what we are doing in Geneva, and many believe would allow it, through its machinery to transfer the Geneva agreements on trade and tariff to the United Nations so that they would have the authority to fix the consumption and the production on a basis of population on all the nations of the world. That is something maybe you hadn't heard of, but that will come later.

But next year, in June 1958, all this Congress has to do is just sit still. Geneva is a thing of the past, it comes right back to the Tariff Commission, the agent of Congress, and the Congress of the United States article I, section 8, and it will regulate just as you have testified you want it; would that suit you?

Mr. PEZZATI. Well, I can well understand that that would be quite a departure from the present policy of the administration, and quite a departure for the Congress, if the economy of our country shows continued deterioration, not only in the mining industry, with which I am directly concerned, but also in the textile industry and one or two others which are similarly under a blight, and the Congress determined then to reverse the policy which has prevailed since 1934 in reciprocal trade I would think that that would be a pretty fair decision.

I think it is a pretty far-reaching one, and I am sure that Congress would not take such action unless they felt that a far-reaching decision of this kind was absolutely necessary.

Senator MALONE. Well, there would be a considerable lot of horsesense mixed up with a decision like that, and it has not been prevalent for a long time, but I think that is exactly what is going to be done now.

Now, I would ask you further, if we do want to divide the markets with the world, without regard to the preservation on the business we have some time described here, fair and reasonable competition of particular industries—you know the Constitution says that Congress must regulate this foreign trade—would not it be better to let it go back to the constitutional method of doing it, and then if we thought that it would be better to do it on another basis amend the Constitution of the United States and give he people a shot at it?

Mr. PEZZATI. Well, it would be a step in that direction, I suppose, if Congress were to enact the bill which I believe Senator Watkins introduced earlier this year, which would authorize the Tariff Commission to decide, without any right to overrule by the Executive, and I believe a step in that direction might be a salutary one.

Senator MALONE. Well, I would say to you that you don't need a bill; you have it in the Constitution of the United States. All you have to do is quit passing bills which keeps it away from the Constitution of the United States; and if you just quit passing bills which put it in Geneva, with 34 executive nations regulating your job, it is not more legislation you need; it is less.

Mr. PEZZATI. Well, if Congress has allowed its prerogative, its constitutional prerogative, to be taken away from it, then I think it is up to Congress to get it back.

Senator MALONE. I agree with you. But they did not allow it to be taken away from them then: they discarded it themselves under the 1930 Trade Agreements Act, according to Mr. Dulles. And I will say this—I did not intend to put it in the record—I introduced a bill, S. 34, that would take all of the critical materials—and that is your zinc and your lead and your tungsten, about 18 of them—and take it away from Geneva and put it in the Tariff Commission bodily; just pass the bill.

And then all you would need to do—you would have exactly what you wanted, not only lead and zinc but the other 16 critical materials, which is listed in the bill, under fair and reasonable competition, with no advantage to you, no advantage to a foreign nation.

Would that suit you?

Mr. PEZZATI. Well, I think that—I am familiar with that bill, Senator Malone, and I think that if it were possible of passing, that it would——

Senator MALONE. I doubt if we can pass it this year, I think we can next.

Now, Senate bill 28 would take all the production of the United States, it would put it back where it belongs in the Tariff Commission, an agency of Congress, in the Constitution of the United States, and that could include textiles, machine tools, and everything else.

Don't you think you would be just as much interested in doing that for other industries as you are your own?

Mr. PEZZATI. I don't believe there can be a healthy mining industry unless there is a generally healthy economy.

Senator MALONE. Thank you, Mr. Chairman.

Senator BENNETT. Thank you very much, Mr. Pezzati.

As announced earlier, we will hear one more witness tonight, Mr. R. F. Goodwin, of the Peruvian-American Association, Inc.

The other two witnesses, Mr. Stebbins and Mr. Vuilleqez, will be heard tomorrow, beginning at 10 o'clock.

STATEMENT OF R. F. GOODWIN, PRESIDENT OF THE PERUVIAN-AMERICAN ASSOCIATION, INC.

Mr. GOODWIN. Mr. Chairman and members of the committee: My name is Richard F. Goodwin. I am chairman of the executive committee of Southern Peru Copper Corp., but I appear before your committee today in my capacity as president of the Peruvian-American Association in opposition to S. 2376.

Through my former position as president of Northern Peru Mining & Smelting Co. and Northern Peru Mining Corp. I have been familiar with the mining business in Peru for the last 30 years.

I should like to make it clear that I am not appearing today on behalf of the corporation which I represent, except to the extent that it is a member of the Peruvian-American Association and supports the views of the association on this bill.

The Peruvian-American Association is composed of firms and individuals who have an interest in maintaining and improving trade and cultural relations between the United States and Peru, and while interest in trade predominates in the association, attention is given to cultural and other aspects of relations between the two countries.

I have attached a list of the membership of the Peruvian-American Association to this statement.

I might say there are about 125 to 150 prominent business firms represented.

Senator MALONE. Do you have a list of those firms?

Mr. GOODWIN. They are attached to the statement. (See p. 163.)

As a matter of practice, the association does not seek to testify on pending legislation before Congress except on certain measures which are clearly damaging to trade between the United States and Peru.

We feel that the legislation which is now proposed would have such injurious consequences upon economic relations between the United States and Peru that we consider it imperative to testify on this bill and call your attention to its inherent dangers.

The effect of this proposed legislation, in our view, would be to diminish to too great an extent imports of lead and zinc from Peru into the United States. While this would obviously reduce competition for domestic producers of lead and zinc, the results on American-Peruvian trade and on the Peruvian economy would be unreasonably severe.

Peru is a country which lives to a great extent on its export of minerals to the United States, and lead and zinc are very important in this picture.

Almost 70 percent of Peru's production of lead and zinc is sold to the United States.

Last year Peru earned a total of over $28 million from sales of these minerals to this country. In terms of the United States economy this figure may not seem too significant, but judged against the background of Peru's economy, size, and population, this is a desperately important factor in that country's livelihood.

The Peruvian National Mining Society recently warned that this increase in tariffs would mean that this friendly country might lost at least $20 million a year.

To give you a further indication of the importance of Peruvian lead and zinc sales to the United States, let me point out that their dollar value represented in 1956 16 percent of the value of all of Peru's imports of manufactured goods, supplies and materials from the United States. Yet while Peru's exports of lead and zinc to the United States are vital to her economic life, they have less of an impact upon our own economy. In 1956 Peru's exports of lead to the United States amounted to only 7.5 percent of the United States industrial consumption and for zinc the figure is 10.6 percent.

I would like to emphasize the consequences which would arise from depriving these friends of this opportunity to earn dollars. We would be driving away an important part of the trade which United States businessmen have been building up over generations and we would be forcing customers in Peru, who prefer American goods, to look elsewhere.

I should emphasize in this regard the estimate of the Peruvian National Mining Society of an income loss of $20 million a year should this proposed tariff increase go into effect.

This $20 million a year would be lost to American manufacturers and suppliers who sell to Peru. Peru spends in the United States even more than it earns from the United States through sales of its minerals and other products. In fact, Peru buys 50 percent of all its imports from the United States, whereas it sells only 37 percent of its exports to the United States.

Peru is a nation which seeks to stand on its own two feet. It bases its economy on a sound and developing trade, largely with the United States. It is a leader among the Latin American nations as a country fostering a free economy and promoting private enterprise. It was one of the first countries in the world, after the war, to free business entirely from exchange controls and other restrictions.

The sale of its minerals is a most vital factor in enabling Peru to maintain its free economy. Peru provides eminently fair and nondiscriminatory treatment of American businessmen and it offers ample guaranties to private American capital. American businessmen who deal with Peru receive fair treatment and have an opportunity to engage in profitable enterprises.

Certainly, the proposed legislation would be contrary to our national policy of fostering lower tariffs and increasing trade. As I have already pointed out, this bill, by increasing tariffs on Peruvian lead and zinc, would result in decreased trade and would hurt a broad cross section of American manufacturers and suppliers who normally supply Peru with a great variety of imports.

Moreover, this proposed tariff action would tend to discourage United States private investment in Peru. A prospective American investor would feel less disposed to risk his money in a country whose dollar needs are being threatened by tariff action.

In summary, gentlemen, the proposed legislation would threaten an estimated $20 million in sales of American manufactures and supplies to Peru. It would force Peru into other markets of the world for its imports as well as its exports, and thus reverse the trend of increased trade between the United States and Peru.

It would be interpreted widely in Peru and throughout Latin America as a blow to our freer trade policy and in the long run it would create more problems than it would solve. Above all, it would give the impression to Peru and to all of our Latin American friends, that we only do lipservice to the concept of a free two-way trade between us and that, when the going gets even slightly tough, we abandon our announced principles for the sake of expediency.

I thank you, gentlemen, for this opportunity to present the views of the Peruvian-American Association.

Senator BENNETT. Mr. Goodwin, we are happy to have the record that you have supplied to us. There is one statement in there that I am sure you understand, and I hope you will just clarify it for the record. On page 3, the second paragraph?

Mr. GOODWIN. Yes.

Senator BENNETT. Do I understand that the total lead and zinc sales to the United States represent a figure equal to 16 percent of the value of all of Peru's imports from the United States?

Mr. GOODWIN. I am sorry; it is not too clear. That is on a tonnage basis, taken from the American Bureau of Metal Statistics.

Senator BENNETT. That is not on a total basis; it is a tonnage basis?

Mr. GOODWIN. Yes. Of the industrial consumption as reported in the American Bureau of Metal Statistics for that year, and the imports of Peruvian lead and zinc; those are the percentages.

Senator BENNETT. I will have to come back again. You are translating into tons the manufactured goods, supplies, and materials from the United States to compare them with the lead and zinc which you export to us in tons?

Mr. GOODWIN. The dollar value of the exports is translated into the supplies and what else which Peru would buy.

Senator BENNETT. Now, you have confused me again.

Mr. GOODWIN. I am sorry.

Senator BENNETT. This 16-percent figure; does it end up representing weight or dollars?

Mr. GOODWIN. Of the industrial consumption, and the imports from Peru in tons.

Senator BENNETT. Actually, then, it is much less than 16 percent in dollars? And then you come back to the statement at the end of the paragraph:

> In 1951, Peru's exports of lead amounted to only 7½ percent of our industrial consumption.

What do you mean by "our industrial consumption"?

Mr. GOODWIN. The industrial consumption in the United States of lead; that was the figure.

Senator BENNETT. By "our" you mean American?

Mr. GOODWIN. By United States, yes.

Senator BENNETT. Then that should read:

> Peru's export of lead amount to 7½ percent of American industrial consumption.

Mr. GOODWIN. Of American industrial consumption.

Senator BENNETT. Of lead, and of zinc, 10.6 percent?

Mr. GOODWIN. Correct.

Senator BENNETT. I appreciate the opportunity of getting this straightened out, because those figures were not clear to me.

Mr. GOODWIN. I am sorry; they were clear to me, but I did not realize that they would be confusing to one who was not familiar with it.

Senator BENNETT. Senator, do you have some questions?

Senator MALONE. Yes; I do.

Mr. Goodwin, I did not understand your relationship. You are president of the Peruvian-American Association, but you do not represent it here?

Mr. GOODWIN. No; I am president of the Peruvian-American Association; I represent that, but I do not represent the company which employs me.

Senator MALONE. What is that company?

Mr. GOODWIN. That is the Southern Peru Copper Corp. I am chairman of the executive committe of the Southern Peru Copper Corp.

Senator MALONE. Does that have something to do with the new production of copper in the offing that Phelps Dodge Co. is developing?

Mr. GOODWIN. Phelps Dodge, Newmont, Cerro De Pasco, and American Smelting & Refining Co. are the four investing companies in that enterprise.

Senator MALONE. Are they now in production?

Mr. GOODWIN. No; barring accidents, about the second quarter of 1960.

Senator MALONE. How do you think their production costs will compare to the Chilean costs of Kennecott and Anaconda?

Mr. GOODWIN. That is difficult to say, because in Chile, as you know, there are exchange restrictions which tend to distort operating costs. My guess would be that the Peruvian costs might be slightly less than the Chilean costs, but I can't foresee what might happen.

Senator MALONE. It is a very large deposit, isn't it?

Mr. GOODWIN. Very large what?

Senator MALONE. Very large deposit of copper.

Mr. GOODWIN. Yes, very large; the corporation owns 3 mines; the total tonnage is in the neighborhood of a billion tons; the mine which is now being developed has an ore reserve of approximately 400 million tons.

Senator MALONE. In other words, it should have a terriffic impact on the copper supply of the world; should it not?

Mr. GOODWIN. It should replace certain deposits which will be worked out by that time, I would think.

Senator MALONE. To what do you have reference?

Mr. GOODWIN. There are various properties, I think, throughout the world which, over the course of the life of this property, will have been worked out.

Senator MALONE. And you don't have in mind the Chilean deposits; do you?

Mr. GOODWIN. There are various properties, I think, throughout the world which, over the course of the life of this property, will have been worked out.

Senator MALONE. And you don't have in mind the Chilean deposits; do you?

Mr. GOODWIN. No.

Senator MALONE. Or the South African deposits?

Mr. GOODWIN. No.

Senator MALONE. They are just coming into their own?

Mr. GOODWIN. Coming into production.

Senator MALONE. Now, your testimony is very interesting to me, and I know you are a reasonable man. You are an American citizen and live in the United States?

Mr. GOODWIN. Yes.

Senator MALONE. I just wanted the record to show that.

Where are your headquarters?

Mr. GOODWIN. In New York City, 120 Broadway.

Senator MALONE. I am sure you have heard some of the testimony here this morning.

First, I have understood that you are definitely testifying that you think it would be entirely a change of front, and very inadvisable for the United States to try to protect its own industries.

Mr. GOODWIN. No; I wouldn't put it in that way. I think the basic trouble in this whole problem is that there is an overproduction of lead and zinc in the world.

I think also that both in the United States and in foreign countries there are marginal mines for which there is no particular hope.

Senator MALONE. What do you call a marginal mine?

Mr. GOODWIN. A marginal mine I think——

Senator MALONE. It is no laughing matter, I want you to take it seriously and tell me what you think it is.

Mr. GOODWIN. Well, a marginal mine is one, let's say as an engineer——

Senator MALONE. You are an engineer?

Mr. GOODWIN. I am an engineer.

Senator MALONE. A mining engineer?

Mr. GOODWIN. Mining engineer—I would take the average price which had been agreed upon for lead, zinc, copper, silver, what have you, and figure an outcome which, if after taxes, returned the investment and a profit that would be a mine. If it did not, or if it were merely equal to the investment required to bring it into production, I would call it a marginal mine.

Senator MALONE. And that would be as compared to the world price?

Mr. GOODWIN. To the average price which the industry considered an average price to be expected over the next few years.

Senator MALONE. Industry doesn't have much to do with that, does it, if Congress does its work? The individual industry itself runs its own business as far as the tariffs or duties or whatever a government wants to do with its own business.

Mr. GOODWIN. No. I am merely saying that in figuring an outcome one must take the best judgment of the individual industry as to what metal prices to expect, which might be affected by——

Senator MALONE. It is very interesting to me that you would believe that. But I want to ask you another question, and that is, Do you consider any mine a marginal mine that will not return the cost of the development of that mine, and the taxes and the renting expenses, production expenses, on the world price?

Mr. GOODWIN. Well, obviously——

Senator MALONE. On the world price of the production, whatever it might be—it might be textiles, it might be a mineral.

Mr. GOODWIN. Well, I am afraid I don't follow you. There always have been two world prices for lead and zinc.

Senator MALONE. Two prices?

Mr. GOODWIN. Two prices, one the United States domestic price, and the second, the so-called foreign price.

Senator MALONE. Now, what are those prices now?

Mr. GOODWIN. Well, the price in the United States is, as we have heard, zinc 10 and lead 14.

Senator MALONE. That is the domestic price?

Mr. GOODWIN. The domestic price.

Senator MALONE. What is the London metal price?

Mr. GOODWIN. It varies from day to day. On the average it would be less than the domestic price represented theoretically by duty and transportation.

Senator MALONE. And that duty now is 0.6 of a cent per pound?

Mr. GOODWIN. Yes, on zinc ores. The duty on zinc in blocks, pigs or slabs is 0.7 cents per pound and duty on lead in ores 0.75 cents and on pig lead 1.06¼ cents.

Senator MALONE. Now, then, would you average those two prices and say that that is the price that you should compete with?

Mr. GOODWIN. No; if it were a domestic mine, you would use the domestic price, if it were a mine located in a foreign country, one would use the so-called world price.

Senator MALONE. Then here it would mean that you would use the price, adding to the world price the duty that we charge for that particular product to come into this country plus the transportation?

Mr. GOODWIN. Again——

Senator MALONE. Plus the difference in transportation; in other words, if it was in Peru, you would have to send it to London or to some other country.

Mr. GOODWIN. If it were in Peru, you would send it to the United States and pay the duty, or you would send it to Europe and sell it on the price on the Continent.

Senator MALONE. That is right. So the transportation wouldn't be very much difference; it would mostly then just revolve on the difference of price; it would be the tariff or duty, whatever that is.

Mr. GOODWIN. Yes, that difference doesn't always follow, sometimes it is greater, sometimes it is less.

Senator MALONE. Well, we understand, you and I do, that there can be a manipulation of price very easily through a maniuplation of currency. You do understand that, of course.

Mr. GOODWIN. Well, I have been in the mining business a long time, and I don't ever remember the prices of metals being manipulated.

Senator MALONE. I don't remember any other thing being done to them for the last 25 years—24 years—but manipulation. And you are in the mining business, you are a mining engineer, and never heard of that?

Mr. GOODWIN. Well, there are various forces at work. I wouldn't call it manipulation in the sense that one manipulates a stock on the stock market.

Senator MALONE. Well, I didn't know you can do that. That is where ignorance comes in.

Mr. GOODWIN. I have heard that one could.

Senator MALONE. Do you know that?

Mr. GOODWIN. I don't know it; no.

Senator MALONE. That you can manipulate a stock?

Mr. GOODWIN. I have heard that such things can happen.

Senator MALONE. But you didn't read that you could do it with metals?

Mr. GOODWIN. Not in that sense, no.

Senator MALONE. Well, I read in the record this morning, so I will not repeat it, that we have been putting up money in the millions of dollars through ECA and Marshall plan and other agencies—they change the name every year so the folks won't catch up with it. It is now mutual security, I think—and they have put out millions of dollars to foreign nations to buy such materials that we are discussing today, and then they dump them on our markets. I can document that for you, if you would like it, and it might help you. That would be manipulation, wouldn't it?

Mr. GOODWIN. In a sense, yes.

Senator MALONE. Then what you have a price on the Peruvian currency in terms of the dollars, one place—and I am not sure that you do manipulate it very much, but I can certainly look it up for you—then if they changed the price of their currency in terms of a dollar for the trade advantage, which means really a lowering of the wages as you heard the testimony this morning——

Mr. GOODWIN. If the currency is depreciated.

Senator MALONE. Then that would be a little manipulation, wouldn't it?

Mr. GOODWIN. No—I mean, if it were done purely on lowering the cost of producing lead and zinc; but I think currency depreciation seems to be based on more factors than that.

Senator MALONE. Regardless of what it is done for, if it is done, it does have that effect.

Mr. GOODWIN. It lowers the cost of production in terms of local expense, but experience shows that in 2 or 3 years the costs catch up.

Senator MALONE. Well, it does. But if you can keep ahead of it, as we have and most of the nations have for 24 years, of course I think we are going out of the little horn, including the United States of America, because our inflation is running away, too, we are not immune. I have asked you—and you have answered that question, you do know about it.

Mr. GOODWIN. I know that various countries throughout the world have depreciated their currencies.

Senator MALONE. Of course you do. For what purpose you did not know, but the effect would be the same when you know for what it would be or not.

Mr. GOODWIN. The effect would be——

Senator MALONE. To lower the price of production, of course. Now, what I would ask you, what does Peru do in the way of tariffs or control of imports into Peru?

Mr. GOODWIN. There is free exchange—in other words, dollars and soles, the local currency, are freely interchangeable——

Senator MALONE. On the market price of the currency?

Mr. GOODWIN. On the market price of currency, it varies from time to time.

Senator MALONE. What about tariffs or other checks on imports?

Mr. GOODWIN. There are no customs duties on mining equipment or supplies which come into the mining industry.

Senator MALONE. You don't produce any of that business ore there, do you, you do not produce any heavy mining machinery in Peru yet; do they?

Mr. GOODWIN. No, not to any extent.

Senator MALONE. Let me read you an excerpt, and I would like for you to check it, under tariff, page 231 of Senate Document 83, Senate Resolution 271, where it says:

Although the Peruvian tariff system is primarily designed for revenue, there is constant pressure for increased rates for protection purposes, and in a number of instances new rates have been virtually prohibitive.

A considerable number of increased rate proposals are on file with the Tariff Advisory Board.

Most tariff rates are on an ad valorem basis and are collected in national currency. An ad valorem surtax based on import values is also assessed, the rates ranging from 5 to 23½ percent.

You are familiar with that, of course.

Mr. GOODWIN. No, I couldn't know what the individual duties are.

Senator MALONE. Now, it may be a fine thing for you to become familiar with it if you represent the people in Peru.

There is an additional tax of 1 percent ad valorem on GATT items—

general agreements on tariffs and trade, under which the 34 nations in Geneva are regulating our foreign trade, along with others—

and with certain exceptions, a maritime-freight tax of 2 percent of ocean-freight charges. Some items are also subject to sales taxes.

Rate concessions and reciprocal most-favored-nation treatment were normally granted to the United States and the United Kingdom, Colombia, Brazil, and Argentina, under bilateral trade agreements, under Peru's association with GATT, the agreements with the United States and the United Kingdom were canceled.

Now, you will find if you do investigate it, if you find it is necessary in your business, that all of the 34 nations represented in Geneva—Peru is one of them—protect their labor and their investors in the nations from the import of anything which they produce in Peru.

We are the only nation on earth that does not do that any more, that has a tariff or duty lower than that differential in cost that you have heard complained of here today, the difference in the wages here and the foreign chief competitive nation on each product and the cost of doing business here, pay the taxes and so on, which the tariff formerly represented, and that is what these boys are talking about today.

Now, every nation that I have investigated so far—and we are now making a report on the Eastern Hemisphere—and I have visited every one of the nations as I did Peru, and I looked at your deposits in southern Peru—and you were then drilling, you had not reached the point of development of ore—that was in 1954, I am sure it was—and you knew it was coming, and it is a very creditable thing to produce copper in Peru to the extent that you can produce it.

But you have brought up the matter of fairness, so I thought it would be necessary to show in the record here that this is the only nation, the only nation that I could find in the world today, producing nation, that doesn't protect its labor and its investors, once they are established and producing.

You see, about 60 percent of our imports, there is no duty, because we do not have a commercial production. And I don't know of any other nation like that. But when you are in business you need that differential in labor. Now, it doesn't need the tariff for that reason at all, because you have a much lower standard of living and wages than we do in this country.

Mr. GOODWIN. Yes, the wages of course are only one item in the cost of production.

Senator MALONE. What is that?

Mr. GOODWIN. I say wages are only one item.

Senator MALONE. It is about 50 percent of it, for your information.

Mr. GOODWIN. Well, while the basic wage is low, nevertheless the social laws increase that by 50 percent.

Peruvian law requires free housing and free hospital and medical attention for all employees and their families.

Salaries for American supervisory employees are from 25 to 50 percent higher than in the United States.

Cost of all mining and milling supplies is increased by transportation costs from the United States to destination.

The cost of selling production is increased by transportation of approximately 3,000 miles to market.

Peruvian law requires the payment of severance pay on termination of employment and provision for pensions after 30 years' service.

Senator MALONE. I am talking about the effective wages. Now, let's just get by that, because I have had all these arguments for several years.

Mr. GOODWIN. The cost of production; I am sorry.

Senator MALONE. The effective wages; what I mean by that term, I will explain it, is the effective wages; if they are not quite as efficient, our Tariff Commission used to be able to take that into consideration, and though they have no authority whatever. So, if they are more efficient here than they are in Peru or someplace else, you can take the efficiency into consideration.

But now you have access, and every other nation does, to our best machinery, our know-how, and I know you know that, so I am wasting the time of the committee in explaining it—but every one of these foreign investors, American investors, the last plant built on earth of that nature is the best on earth, because it is the last one, or else you have a poor engineer, and that would be your fault. And, in addition to that, you take anywhere from 2 or 3 to 7 percent of American workingmen who are highly trained to train this lower cost labor; they do that in Chile; you are doing it in Peru, and you are doing it in every nation on earth, and I have visited all of them.

So, there is no difference, then, in the machinery at all; there is no difference in the know-how, but there is a difference in the effective wages, because in some areas they are not as effective workmen, but in Peru I doubt very much if they are less effective, once they are in production.

I visited Anaconda, and I was there 10 days in 1954, at their mill, the best mill in the world, because it is the last one, and some of the finest engineers on earth are there right now, as you probably already know. And you are taking some of the same type right up there in southern Peru; if you weren't, you ought to be kicked out of your job.

So, all we are talking about here today is something that is not necessary in a low-wage nation at all; we don't ask to keep the imports out; we ask that something to equalize the effective wages in the chief competing nation, and in this Nation on each product, whether you call it tariff or excise tax——

Mr. GOODWIN. Isn't it true that other items enter into the cost of production than wages?

Senator MALONE. Of course; but you take all those into consideration. What did we do when we fixed the price of tungsten? In 1953, the price of manganese and the price of the other five minerals, we took everything into consideration; we asked the Tariff Commission everything, all the items, taxes, and then we fixed those prices in the Malone-Aspinall Mineral Purchase Act in 1953 to represent that difference, and I think it did, at that moment, but, of course, it changes, so when we extended it last year, we picked some of the minerals out, because of different reasons, and changed the price, because it changed the effective cost. So, all of this business that you can compete with anybody over here because of your machinery, or your trained workers is just a bunch of poppycock, which you know better than I do, if you are an engineer, and you have been in the business, and must know of, or they would fire you.

So, I would like to talk to you sometime.

What we are interested in here—I know these workingmen all over the United States, and the local investors, and I am interested in them—is the economic structure of this country. And I am not for this business that Dulles testified to, that he can destroy one industry if it will help us in the world picture.

We are in a very precarious position right now in our economy. And I think Peru is a fine nation. I met many of their leaders, I think the President of Peru was gone when I was there, but I visited their industries over the Andes; I went across the Andes into the mining areas; I looked at the mill, and I looked at the mines—and I am a peculiar individual—no engineer knows any other way to do it—and so I have seen your industries, and I am in sympathy with you to the point of giving our people an even break, that is all. And if you want to ship copper in here in competition with the copper product in this country, I am all for that.

But to even the wages and the cost of doing business here and in Peru, if that is your chief competing nation, or any other nation, and then, as you raise that living standard, lower it so you have an even break in this market, just no advantage, would not that make a lot of sense, you compete with our people on an even basis, fair and reasonable competition?

Mr. GOODWIN. Senator, sometime I would like to go over with you the cost per ton, the average cost per ton.

Senator MALONE. That would just suit me; just phone me any time and come down. But I hope that you will study these things, if you don't need any tariff, but you do have a tariff higher than ours, but for a different purpose, to keep it out, the things you manufactured and produce. We don't do that to keep it out; we do it to stay in business; that is all.

That is all, Mr. Chairman.

Senator BENNETT. Thank you very much, and I hope you can get your plane and see the doctor tomorrow.

Mr. GOODWIN. I appreciate your courtesy very much.

(The membership of the Peruvian-American Association, Inc., referred to on p. 153, follows:)

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Senator BENNETT. The committee will recess until 10 o'clock tomorrow morning, Mr. Stebbins, of W. R. Grace & Co., will be the first witness.

(Whereupon, at 5:50 p. m., the committee was adjourned, to reconvene at 10 a. m., Tuesday, July 23, 1957.)

IMPORT TAX ON LEAD AND ZINC

TUESDAY, JULY 23, 1957

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Anderson, Jenner, Williams, Flanders, Malone, Carlson, Bennett, and Watkins.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

I submit for the record a telegram which I received from Mr. A. J. O'Connor, vice president and general manager of the Consolidated Copper Mines Corp., of Ely, Nev.

(The telegram follows:)

Hon. SENATOR BYRD,
Chairman Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Respectfully urge you to consider including copper in the studies of your committee in connection with tariff on lead and zinc. Believe that facts indicate the fairness of raising the peril point in present tariff laws from 24 cents to 28 cents at which point the 2-cent tariff becomes effective. This matter is of desperate importance to the small independent copper producing companies such as ours. Under the present squeeze on small producers of copper due to the falling market price and ever-increasing cost factors the small independents are being forced into a position where they must close down.

Consideration of this problem by you and your committee will be appreciated.

Sincerely,

A. J. O'CONNOR,
Vice President and General Manager, Consolidated Copper Mines Corp.

The CHAIRMAN. The first witness this morning is Mr. James H. Stebbins, of the W. R. Grace & Co. Will you come forward, Mr. Stebbins. Take a seat, sir.

STATEMENT OF JAMES H. STEBBINS, EXECUTIVE VICE PRESIDENT, W. R. GRACE & CO.

Mr. STEBBINS. Mr. Chairman and members of the committee, my name is James H. Stebbins. I am an executive vice president of W. R. Grace & Co. of New York and I appear before you in opposition to S. 2376 which provides for a sliding scale of excise taxes on imports of and zinc.

I have spent the major part of my business career in the Latin American field. I have lived in Chile and Peru and from 1938 to 1947 I was a manager of W. R. Grace & Co. operations in Peru. I have worked in almost all of the Latin American countries and I travel frequently in that area. At the present time I am in charge of my company's extensive South American operations.

Our company is intensely interested in this matter because of our century-long association with the Latin American countries which would be immediately affected by this measure and because of our traditional policy of fostering improved economic relations between the United States and Latin America.

The Grace organization has deep roots in Latin America, since it was founded there 103 years ago. Yet, at the same time we have our headquarters and many of our operations in the United States. We feel, therefore, that we are in an unusually advantageous position to appreciate the problems involved on both sides of this issue. It is for this reason that I requested your indulgence to appear before your committee and testify on this bill. I should like to make clear at the outset that W. R. Grace & Co. does not have any lead or zinc interests in Latin America. By this I mean, sir, that we do not own any mines producing lead or zinc in Latin America.

Four years ago I appeared before another committee of Congress on a similar proposal to increase the tariff on imports of lead and zinc. I maintained then, as I do now, that such a tariff would be harmful and shortsighted and that the ill effects that would result from it would far outweigh any immediate advantages that might be gained from it. Fortunately, at that time the tariff increase proposal was not approved by Congress.

In the meantime, nothing has happened to change our view that this type of action would have a damaging effect upon United States trade with Latin America and cause serious economic problems among several Republics which are some of our best customers in this hemisphere. Furthermore, they are our friends. They would consider any action of this sort as directly contrary to the many public expressions of friendship which our Nation is constantly extending toward them.

The Latin American countries as a whole are anxiously watching what we do on this bill. In their minds, passage of this bill would be an indication that the United States advocates friendly trade when it is convenient to do so and abandons this practice for short-term advantages. Latin American governments and businessmen also reason that if the United States increases the tariff on lead and zinc when it is to its particular advantage to do so, then our country might well take similar action on other raw materials which Latin America supplies to us.

This tariff increase, as you gentlemen know, is of immediate and crucial importance, primarily to Mexico and Peru and to a lesser extent to some of the other Latin American nations. I cannot emphasize too strongly the serious effects which this bill would cause on the economies of these countries and on their attitudes and future actions toward us.

In the case of Peru total exports of lead and zinc to the United States amounted to $28 million in 1956. Mexican exports of the 2 metals to the United States in 1956 amounted to $93 million. These export trades would be seriously jeopardized by the proposed legislation, and the gravity of the situation can be realized from a recent estimate by the National Mining Association of Mexico that the proposed tariff increase might result in Mexico's lead and zinc production becoming paralyzed. The Peruvian National Mining Society has estimated that the proposed legislation would result in a decrease in that country's total dollar exports of $20 million. That, incidentally, represents about one-twentieth of their total dollar exchange receipts. The effect on the economy of each country would be severe.

I am well aware of the fact that some of our domestic producers are in a difficult position. But I do believe that this bill which would increase tariffs on lead and zinc imports is not the best way to resolve the difficulty. The bill would assist our domestic producers temporarily, but it would seriously harm Latin American producers. While resolving one problem, it would create a host of others.

Since the Latin American countries are essential suppliers of strategic raw materials to the United States, it would not be wise to base our policies on a hemispheric industrywide basis?

This would seem to be advisable not only in times of emergency, but also in times of peace.

As it is important to us to maintain our domestic production healthy and strong, so, too, is it vital to us that we maintain the lead and zinc industries of the Latin American countries in an equally healthy position. We all know that our domestic supply is not sufficient to meet our domestic consumption even in peacetime and in time of emergency we would have an even greater need for Latin American imports which, as during the last war, would be readily available to the United States, provided, of course, that the mines were maintained in good working order.

In other words, I believe that we have reached the point in our relations with the Latin American countries where, for reasons of our own national interest, security, and for hemispheric solidarity, we must consider not only our own welfare, but that of our Latin American neighbors on whom we depend in times of peace and war.

These hearings which are being held here today and any action which Congress might take within the next few weeks will be anxiously studied by our Latin American friends in advance of the forthcoming Inter-American Conference of Finance Ministers in Buenos Aires, Argentina, next month. The Latin Americans will interpret congressional action on this bill as an indication of the earnestness and sincerity of the oft-proclaimed freer-trade policies advanced by the United States, which presumably will again be advocated by our delegation at this very important conference. The mere fact that a proposal is pending in Congress to increase tariffs on lead and zinc already tends to weaken the hand of the American delegation at this conference.

Mr. Chairman, I am attempting to call your attention to the serious consequences of this bill, not only upon the Latin American nations directly involved, but also psychologically upon the Latin American nations as a whole. There is no doubt that Peru, Mexico, and other Latin American countries would suffer severe economic hardships as a result of this proposed legislation. We would be doing ourselves damage throughout the entire Latin American area and encouraging reciprocal tariff action on some American exports by the Latin Americans.

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The proposed means are, in my opinion, nothing less than an attempt to exclude a large portion of Latin American imports of lead and zinc at current price levels.

I am not pretending to suggest to you gentlemen or to the experts the remedies which might be adopted for the purpose of solving the problems of the domestic producers, but I do believe that the form of remedy indicated in S. 2376 would be harmful to our national interests in Latin America and that the problem should be remedied through some other means.

I wish to thank you, Mr. Chairman, and members of the committee for your kind attention and for the opportunity to present these views.

The CHAIRMAN. Thank you very much, Mr. Stebbins. Are there any questions?

Senator BENNETT. Mr. Chairman, I would like to ask Mr. Stebbins a question or two.

Mr. Stebbins, you refer to this bill as a bill to increase tariffs on lead and zinc. You were in the room most of yesterday, I presume, and I assume you have read the bill.

Mr. STEBBINS. Yes, sir.

Senator BENNETT. So is it fair to say this is not a bill to put a flat increase on tariffs on lead and zinc, but rather a bill to provide a flexible excise tax, so that under some circumstances there would be no increase, there would be no tariff, and under other circumstances there would be a tax?

Mr. STEBBINS. You are perfectly correct, sir, and I did not express it as clearly as I should have.

Senator BENNETT. Your statement also implies, as did the statement of Mr. Goodwin yesterday, that the effect of this bill would be to exclude, to prevent, to stop our exports of lead and zinc from Peru, to use the example both of you have used, to the United States, estimated at $20 million a year. I cannot see anything in this bill that excludes exports. This bill simply provides that at various price levels those exports must pay an excise tax. It is not a quota bill. It does not specifically forbid the miners of Peru to ship lead and zinc into the United States. And I am puzzled as to why and how you arrived at the assumption that this is going to exclude exports.

Mr. STEBBINS. The mining organizations in Peru and Mexico have arrived at that conclusion. And I think what they mean is that the entry of their minerals would be considerably reduced. I think that is what they mean by exclusion.

Senator BENNETT. Well, now, today the price of zinc is 10 cents. Has that reduced their exports to the United States?

Mr. STEBBINS. Well, the price of 10 cents has only been prevalent, I believe, a few weeks, and I don't know, frankly, what the figures are as of today. I do not know what the effect has been since this 10-cent price.

Senator BENNETT. If I remember the testimony yesterday, it was to the effect that the lowest possible realization in a foreign country under this bill would be something like 10 cents. The bill would not actually, as I understand it, reduce the net income to the Latin American or other foreign producers effectively below the current market, but it would have the effect of raising the income for the domestic producer somewhere in the neighborhood of 14½ cents on zinc.

Now, it seems to me that if the Latin American producers are content to ship into this market at 10 cents, their argument that this bill excludes them kind of falls on its face.

Mr. STEBBINS. Well, sir, I am sure they are not content with shipping at 10 cents, in the first place. But, as I said, they calculate that by adding 4 cents, or whatever it is, to get their minerals into the United States is going to have the effect of reducing the consumption of their minerals in the United States.

Senator BENNETT. Well, the present market price of 10 cents reflects the world price.

Mr. STEBBINS. Yes, sir.

Senator BENNETT. And, to the extent that there is overproduction, the producers in Peru and Mexico have contributed to that.

Mr. STEBBINS. Yes, sir.

Senator BENNETT. And there has been no evidence that there is any attempt on their part to reduce their production, to see the world price rise.

Mr. STEBBINS. Yes, sir; there is already evidence of that. One of the important mines, called Vulcan, in Peru was obliged to close its doors last week and let 700 men go.

Senator BENNETT. Well, then, what they want is—they would like to see the price in the United States rise, but not high enough to bring domestic production or put domestic production on a sound basis.

Mr. STEBBINS. I think they would like to feel that, if there were going to be any victims, everybody in the hemisphere is going to suffer proportionately; in other words, that they should not be picked upon in order to protect the United States.

Senator BENNETT. Of course, when you talk about protection and comparisons, you have to find a day from which to begin. And it would seem to me, from the record yesterday—and I do not have the figures before me—that the domestic production has been constantly going down, while the sales of foreign producers in the United States have been constantly going up. And what we are interested in—and I come from a State that has an important lead-zinc industry—is trying to create a situation in which that previous balance can more or less be restored.

So I would think it is fair to say that, if they are interested in seeing everybody share the hardship, they should be interested, or willing, to see the domestic producers recover what was their traditional share of their own market and be freed from some of the hardship that has been created over the last little while.

I do not want to belabor this point, Mr. Chairman, but I think there are two things we should realize. First, that this bill is not a quota bill and it does not effectively shut anybody out; and, secondly, that apparently the producers in other countries are able, if not very happy, to supply lead and zinc to the United States at prices at which our domestic industry cannot operate.

Mr. STEBBINS. Sir, I think that some of them may be able to, even if they take a loss, because they may be sufficiently well backed up financially. But some of them cannot. As I said a short time ago, one important mine in Peru has just had to close.

Senator BENNETT. Well, now, if there were no such legislation, what would you suggest to the Congress should be done in order to raise the domestic price for the benefit of the domestic producers, as well as for the benefit of the foreign producers, since you indicated that they must have some additional price help in the American market as well. What alternative is there?

Mr. STEBBINS. I don't feel qualified to make any suggestions as to how to remedy the problem of a certain number of smaller mining companies in the United States and in Latin America. And I am frank to tell you, sir, that I believe that the situation will take care of itself after, perhaps, a relatively brief period of suffering all around, because the very fact that mines are going to have to close down, even temporarily, is going to reduce the tonnage produced both in the United States and in Latin America, and, presumably, the large mining companies, which are the producers of the larger quantities, are also going to cut back, presumably, just like the automobile companies do in the United States when the public refuses to buy their automobiles in sufficiently large number.

Senator BENNETT. Well, except for the support provided by the stockpiling program for a couple of years, it is a pretty good guess that this 10-cent price would have been in existence 2 or 3 years ago, and, from that point of view, the world production of zinc has been going ahead in spite of this situation, indicating that there apparently are some producers that can do very well at this present price.

Mr. STEBBINS. This present price has not been in effect for very long, sir, has it?

Senator BENNETT. Well, the price was even lower than this before the stockpiling began, as I remember it. So that this is just a return to the situation that was temporarily alleviated by the stockpiling program, or at least it might be so interpreted.

Mr. STEBBINS. Yes, sir.

Senator BENNETT. I have no other questions.

Senator FLANDERS. I would like to ask a question or two, Mr. Stebbins. You have given figures for the import of lead and zinc from Peru and Mexico. Is that metal primarily from lead and zinc mines, or obtained as a byproduct from copper mines and similar other operations?

Mr. STEBBINS. I think it is a mixture of the two. I believe that the next witness can answer that question more accurately than I can, because he is technical man. But I believe, for instance, that, in the case of Peru, lead and zinc emanates from the Cerro de Pasco Copper Corp. and from a fairly large number of independent, small mining companies. Just what percentage is from Cerro, I am not sure, but it may be that the next witness could answer that.

Senator FLANDERS. It would seem as though, in cases where the lead and zinc are byproducts, the effect would be less severe than where they are derived from specific lead and zinc ores.

Mr. STEBBINS. That might be, sir. But I believe that these figures have taken that into account.

Senator FLANDERS. Now, one other question. This mine which you said had closed down in Peru, I believe, would be, I suppose, a high-cost mine. That is, you would expect the high-cost mines to close down first, would you not?

Mr. STEBBINS. I would think so. I frankly do not know the cost of producing lead and zinc, either in the small mines or in Cerro de

Pasco, or in the American Smelting & Refining Co., in Mexico, but I think your assumption is correct.

Senator FLANDERS. And you would be sure that this was not a measure—certainly, it could not be used as a measure by one mine alone to restrict supply and bring the price back.

Mr. STEBBINS. Oh, no, sir.

Senator FLANDERS. It would have to be more widespread than that.

Mr. STEBBINS. That is right. As an example, the Peruvian Government is trying to help the small miners all it can in the sense that it removed the export tax recently, temporarily, to help them out. But, in spite of that, they could not continue, and they decided they would have to close their doors.

Senator FLANDERS. Are there other questions?

Senator MALONE. I have read your statement. Mr. Stebbins is your name, representing W. R. Grace & Co.?

Mr. STEBBINS. Yes, sir.

Senator MALONE. Well, I am sure, Mr. Stebbins, that your heart is in your work. You represent a very well-run operation, the Grace Co. I am more or less familiar with it. I have been in all the nations of South America, and your company is very active there, and I think you have done much toward the development of the countries. You deserve a lot of credit for it. Now, we have come to a situation in the United States where it is necessary to be for our country as well as the nations of South America—at least equally so. You said, of course, they would be very disappointed if we changed the State Department policy of the division of our markets with them. But, no doubt, the Grace Co. has made a bad business deal now and then where they found it necessary to change their policy, has it not?

Mr. STEBBINS. Yes, sir.

Senator MALONE. And I think the United States was drawn into the worst business deal possible when the Congress transferred its constitutional responsibility to regulate foreign trade under national economy, through the adjustment of tariffs or the duties to the executive with authority to locate that responsibility in Geneva, Switzerland, under 34 competitive foreign nations. They are now continually lowering our duties or tariffs through multilateral trade agreements without regard to the difference in wages or cost of doing business. It is not a question of keeping anything out of the country through duties or tariffs. It is a question of adjusting the duty so that our workingmen compete with the foreign cheap labor on an equal basis. Have you ever heard that story?

Mr. STEBBINS. Yes, sir.

Senator MALONE. Then I think you will find that that is all anybody is advocating here; just adjust the tariff or duty on the basis of fair and reasonable competition.

You say in your statement that Peru might find it necessary to charge tariffs on imports of American goods if we give our American workingmen and investors an even break in American markets. Could I ask you if you know whether or not they already have tariffs, duties, and other restrictions on the American goods offered for import into that country?

Mr. STEBBINS. I am sure they do. I cannot recite to you the different tariffs that they have, but I am sure they have, sir. And I think that, however, the purpose of their tariffs on, for instance, automobiles, is to prevent too much dollar exchange from leaving the country for what they might consider luxuries or nonessentials, because their dollar availability is very limited, and they need it for more useful things.

Senator MALONE. Yes; I understand that. I was in Peru in 1954. I even took the car and drove over the Andes, 16,000 feet elevation, into your mining districts there, and they are doing very well. I found some American mining engineers there; even one I had gone to the University of Nevada with. He had married a Peruvian girl and is raising a family and was very happy. They have very good metal mines in Peru. Now, however, we are talking about flexible tariffs to give our own American people an even break in American markets. I read some material into the record yesterday on Peruvian tariffs, but I think for your information I ought to read it again.

From Senate Document 83, 84th Congress:

Although the Peruvian tariff system is primarily designed for revenue, there is constant pressure for an increased rate for protection purposes. In any number of instances, new rates have been virtually prohibitive. A considerable number of increased rate proposals are on file with the Tariff Advisory Board. Most tariff rates are on an ad valorem basis and are collected in national currency. An ad valorem surtax based upon import values is also assessed—

this is in addition to your regular tariffs—

and the rates range from 5 to 23½ percent. There is an additional tax of 1 percent ad valorem on GATT—

General Agreement on Tariffs and Trade—

items—

That is the organization that regulates our foreign trade in Geneva, with 34 competitive foreign nations operating this mechanism called GATT, through multilateral trade agreements, and Secretary Dulles testified that the 1934 Trade Agreements Act as extended authorizes that action. You have heard of that?

Mr. STEBBINS. Yes, sir.

Senator MALONE (continuing):

and with certain exceptions, maritime freight tax of 2 percent of ocean freight charges, some items are also subject to sales tax.

Then it goes on to explain that they formerly had a deal with the United Kingdom and with us, with bilateral trade agreements, but since GATT (General Agreement on Tariffs and Trade) was instituted, that has been dispensed with.

In Peru there is no reason at all for a tariff or a differential because their wage-living standards are so much lower than ours that such a tariff cannot be for the purpose of evening the living standards, which is the only reason why we ever use the tariff. Since with American capital—and I visited several of the mines in Chile, and even this new copper mine that they were just diamond drilling then up in southern Peru, near the Chilean boundary—the cost of production is so much lower than in America that there is no comparison.

Mr. STEBBINS. Toquepala.

Senator MALONE. Yes. The testimony yesterday showed, and my examination—only a cursory examination, on what could be seen there—that it might develop into one of the largest copper deposits in the world.

Mr. STEBBIN. Yes, sir.

Senator MALONE. And our own people, Phelps-Dodge, are interested, and that is one of the finest companies I know. As a matter of fact, Anaconda and Kennecott are very fine, well-operated companies. The companies are to be commended—they are only following the State Department policy.

But it is a matter of employment in this country now. Unemployment has started in this country, through the destruction of the industries, through the competition of the low-wage labor nations.

We are living on a war economy.

So, all we ask, then—and I would ask you if you thought that was unreasonable—is to let our Tariff Commission adjust the tariff or duty—which the Constitution provides in article I, section 8—to make the difference between the effective labor cost and the cost of doing business here, including our taxes, and in the chief competing nation on each product. It does not keep any product out, but gives our people an even break in the competition in the markets in the United States.

Now, do you believe that to be unreasonable?

Mr. STEBBINS. I have indicated in my statement here, sir, that I think that it is wiser, viewing the overall interests of the United States, in my opinion, to keep the Western Hemisphere countries in mind in connection with whatever policies are adopted, because I think that, whether we like it or not, the fate of the Western Hemisphere is pretty well bound up together.

As I indicated in my testimony, I believe that this particular proposal would work a hardship on one part of the hemisphere, even though it might temporarily assist another part.

Senator MALONE. You apparently believe in what Mr. Dulles testified before this committee in 1955 is true under the 1934 Trade Agreements Act, as extended, and that is what they are operating under in Geneva—that even if a certain industry may be depressed or destroyed in this country, that if the overall interests of the United States, international interests of the United States, is believed by the State Department—the executive, to be benefited, then it is worth the sacrifice. Is that the policy you would like to see us adhere to?

Mr. STEBBINS. I believe that, in everything in life, that which benefits the whole sometimes causes suffering to a part. And I am not attempting to suggest how to remedy the ills of a part that might suffer. There probably are a number of different ways to remedy it. My personal belief, as I said before you came into the room, sir——

Senator MALONE. I read it.

Mr. STEBBINS. Oh, you read it. All right.

Senator MALONE. Now, your personal belief is that you should divide the markets of this Nation with the other nations for the purposes of our overall benefit.

Mr. STEBBINS. My personal belief is that we should try to maintain the economic prosperity of the hemisphere to the maximum extent possible because I believe that any lack of employment in one area is going to cause repercussion in the other.

Senator MALONE. That is probably true. Now, you would do that at the expense of any certain areas in the United States, whether that happened to be textiles or minerals or machine tools, or whatever it is.

Mr. STEBBINS. I would try to analyze each particular group, according to its own merits. I don't like to make a sweeping statement.

Senator MALONE. Well, take lead and zinc. Do you believe it is worth shutting down the lead and zinc industry in this country—that the overall friendships and benefit to the United States would be worth it in the long run?

Mr. STEBBINS. I believe, sir, that it is to the national interests to maintain the lead and zinc production in the United States to the greatest extent reasonable and possible. But I am no judge as to what mines should be reduced or what mines should be eliminated, if any. I am no judge on that except that if—let us assume that no mines in the United States should be allowed to suffer; then I think we should find some other way of helping them.

Senator MALONE. Well, we found a good many ways. We just appropriate the taxpayers' money and throw it around the world like drunken sailors. I guess we might as well include the rest of it. And, as a matter of fact, if you are going to do it at all, I would be in favor of doing most of it in South America.

Now, as a matter of fact, our commitee, Interior and Insular Affairs Committee—and Senator Anderson is here, a member of that committee—has turned out two reports on the Western Hemisphere. You probably have seen those reports, haven't you?

Mr. STEBBINS. I have not read them carefully, frankly.

Senator MALONE. Well, one of them is Senate Document No. 83 of the 84th Congress. The other one is Senate Report 1627 of the 83d Congress. Now, no one can read those two reports, or even refer to them, without knowing that the Interior and Insular Affairs Committee is very much convinced that the Western Hemisphere must be a unit, that the Western Hermisphere can be defended, that the Western Hemisphere can be made self-sufficient in everything we need for war or peace. They are outstanding reports. And they are well documented, founded on facts. It took 4 or 5 years to make these reports.

The question arises as to how to increase the standard of living in other countries. That is our objective, we say. So whether to simply lower the duties or excise taxes or tariffs, as we call them, below that point of equaling the labor and the cost of doing business here and in Peru, if it is the chief competing nation on any particular product, and start right with them—that is, let our men become unemployed and move to other areas—or whether it would be better to have that adjusted duty, always just making the difference and having equal competition, fair and reasonable competition, but no advantage—do you understand what I am talking about?

Mr. STEBBINS. Well, I am not quite sure I do.

Senator MALONE. Well, I want you to be sure and understand it.

Mr. STEBBINS. I feel, sir, that I am not going to attempt to compare the exact wages and salaries in Latin America—it is very complicated——

Senator MALONE. I am not asking you to do it. But is that the policy—what do you think of the policy, if someone could do it.

Mr. STEBBINS. I believe that there should be free competition, and that if certain minerals in certain parts of the world have higher grades than minerals in other parts and have certain——

Senator MALONE. Have cheap labor.

Mr. STEBBINS. Well, cheaper labor in a sense—although I believe that the record shows that labor in most of South America is not cheaper.

Senator MALONE. No, it does not show that. But then you can believe that if you want to—I will debate it with you anyplace you choose. We do not have time here. The miners there are good people. And with our 5, 6, or 7 percent American-trained people that they take with them when they invest their money—the nations each do just one certain job, and the first thing you know, they are just as efficient as an American. I was over there and watched them operate. And I think a lot of the Peruvian people.

Now, the State Department has suggested a method of doing this, and that is for the Congress to appropriate our taxpayers' money, and when a mine is dried up or a textile plant or any other industry in the United States shuts down as a result of this overall beneficial medicine that we are taking of free trade, then the money would be used to train these workingmen in a different job and pay their fare to another area, and also to compensate the stockholders of a destroyed industry to a certain extent.

Now, that is the same method they use in Russia, except they don't pay them—they just move them. I spent 2½ months behind that Curtain in 1955 and watched that operation, and it worked pretty good. But you have to have full control.

Now, Peru is not an exception. Every nation in the world protects its investors and workingmen but this Nation, once they are in business.

Mr. STEBBINS. On the manufactured products, particularly.

Senator MALONE. On everything that they themselves produce. And that is all we have protection on. In other words, 60 percent of our imports have never had a tariff or a duty because we were not commercially producing the product. Peru is the same way, only they have kept it up and we have not. We have changed the tide, and now it is running out on us. But Peru and all the nations of South America are very conscious of their workingmen. So you will find these tariffs are protecting the workingmen and investors in everything they themselves produce.

Mr. STEBBINS. Just like we did in our early history, I believe. We had to do it then.

Senator MALONE. And we have to do it now, for your information, if we are going to survive. Now, we are $280 billion or $290 billion in debt. Thirty-four competitive foreign nations are running our trade and national economy in Geneva. And while it may sound all right to you,if you do not investigate it, but I am sure you are going to be very interested in it once you start to study it.

But I am interested in your statement, just like Secretary Dulles, that if it results in the destruction of an industry or depressing an industry in his country, that we ought to then compensate these men, train them in another job, move them to a different area, and compensate the stockholders and let it go at that.

Mr. STEBBINS. I don't know that I go that far, but I think it is a question of degree. Now, I would like to give you an example, Senator.

Senator MALONE. I would like you to.

Mr. STEBBINS. I heard you and several other gentlemen yesterday mention the word "tungsten."

Senator MALONE. Yes.

Mr. STEBBINS. We happen to own a tungsten mine in Bolivia. The price of tungsten has gone down now to $15 a unit, which is considered below the cost of production.

Senator MALONE. Even in Bolivia.

Mr. STEBBINS. Even in Bolivia.

Senator MALONE. That is pretty low.

Mr. STEBBINS. Yes, sir.

Senator MALONE. I was in Bolivia and went into the mines.

Mr. STEBBINS. And worse than that, you cannot even sell the tungsten even at $15. So we are confronted, this morning, with the alternative of closing the mine, of reducing the number of men radically and cutting back the production, or some other alternative. And at the present time we are discussing with the President of Bolivia, who is offering us some cooperation, I will say, the possibility of reducing the number of men from 1,000 to 300 and cutting back our production by more than half. And I must admit to you that the American point 4 program is trying to help the Bolivian Government relocate those men who are going to be dropped from the payroll through aiding them in their agricultural techniques, and with the help of the Bolivian Government will apportion certain lands for them.

I admit to you that I consider that constructive help in this plight.

Senator MALONE. Did you ever take a trip out through the mesas there and visit with the Indians and the natives that are out there sitting around herding 5 or 6 sheep or goats and that is their entire living?

Mr. STEBBINS. That is right.

Senator MALONE. Your heart will go out to them.

Mr. STEBBINS. That is right.

Senator MALONE. And a lot of South America is like that.

Mr. STEBBINS. That is right.

Senator MALONE. I took a trip throughout Bolivia and went into the tin mines. We were talking about doing away with the only tin smelters in the Western Hemisphere so we would be dependent on England for the fine tin and it would have to cross the ocean twice. The best ore in the Bolivian mines would go direct to England to be refined and come back. They cannot cross the ocean at all in case of war.

Now, to get into this Bolivian thing, my heart goes out to Bolivia. They are doing the best they know how. In Bolivia alone I want to tell you—I know you know it—when I was there in 1954 there was a rule there or a law, whichever it is—very effective—that if you get a dollar of American money in your hands and if you are a trader, within 30 or 60 days you must turn that in to the central bank and they give you at that time—they change in value from time to time—500 bolivianos. Do you remember?

Mr. STEBBINS. Yes, sir.

Senator MALONE. And on the street a dollar was worth 1,700 bolivianos. So they really gave you about 30 cents back. You are familiar with that?

Mr. STEBBINS. Yes, sir.

Senator MALONE. Now, our talk then and our idea—I had better confine it to my idea; I do not know how many approve of it. But if we do away with this at Geneva by not extending this thing next year, this goes back to the Tariff Commission, and they can compensate for that sort of thing. Every foreign nation in the world except two I think—I do not think Canada does it, and I think Venezuela temporarily got off it because they are pretty prosperous now by shipping in the oil here. They manipulate the price of their currency in terms of the dollar for trade advantage. So if you set a tariff point or anything like it, all they need to do is juggle that currency and raise it, or lower the peril point.

So the only way we have of trading even with them—is by giving them equal access to our markets—is to have some organization like our Tariff Commission who know how to do that and then have Congress give them the authority to do it. And I know you are an American. Where do you live?

Mr. STEBBINS. In New York, sir.

Senator MALONE. Well, the canyons are pretty deep over there——

Mr. STEBBINS. Yes, sir.

Senator MALONE. For a mountain man. But there is tremendous business in New York. And, of course, what they did there is, they built those office buildings so high, they can see these foreign countries easier than they can those little States west of the Hudson River.

Mr. STEBBINS. No; we see them both.

Senator MALONE. And what you do over there, the brokers take a 10-percent override no matter which way it goes through the port, so they are not particularly interested in the zinc miner in, say, Montana.

But I just want to ask you one more question, and that is just for the record so we know what you are for. You are for this 1934 trade agreements method of free trade. In Geneva they are still lowering the tariffs here, 5 percent a year, according to the law that we passed in Congress. We have no kick coming at all. Congress is responsible. So when they make these multilateral agreements—and I understand a set of them are due in October—then we continually lower our duties or tariffs which are already below making up the difference between any wages like our $17 a day here and your $0.25, or whatever it is, over there. So that there is no relationship whatever between the cost of operation here and the cost over there where they do not pay American taxes and where they do not pay American wages.

Now, you are for that theory just as Secretary Dulles is and as his predecessor was, on the theory that you can sacrifice or depress any or all industries in this country but if they consider—and they themselves judge—what it is, an overall benefit to the United States over the long run, then they can go ahead and do it without regard to Congress or anything else unless Congress takes action.

Now, you agree with that?

Mr. STEBBINS. I think there is a happy medium in all things here.

Senator MALONE. Tell me about the happy medium.

Mr. STEBBINS. Well, I think you have to have a little on both sides. I still believe that—I would like to repeat that I do not like to see any United States industry go under, even a very small- and high-cost producer. As I said before, I would like to see, if in the judgment of the Congress and of the people and of the wise people——

Senator MALONE. Wise?

Mr. STEBBINS. We should take certain steps——

Senator MALONE. Wise? Did you use that word?

Mr. STEBBINS. Yes, sir.

Senator MALONE. Thank you.

Mr. STEBBINS. We should take certain steps, and I think we should—I want to make it very clear I do not like the idea of any industry that is worth while and that is for the good of the country to go under.

Senator MALONE. Now, some words have been bandied about in the United States for 24 years. One is "high-cost industry." One is a "marginal industry." Another is a "subsidy." I want to clear that up while I am with you because I think you are a very capable businessman, and you are with a fine outfit, and they do not miss many bets. They know how to deal with these people over there. They really do, and I envy them.

Something has been said about a subsidy, and I want to explain to you what I think a subsidy might be. It is not a subsidy when you have a tariff or a set price on a product in this country that only makes a difference between the labor cost, effective labor cost, and the cost of doing business, including taxes here, as compared to the most competitive country in that particular product. That simply means you are for the wages here and the standard of living.

Now, if you have to go above that you need more than that difference. Then I would call it a subsidy.

Now, would you call it a subsidy when you only make the difference in the labor cost?

Mr. STEBBINS. I would call it some kind of a subsidy; yes, sir.

Senator MALONE. Well, that is all I needed from you.

Now, what you are for, then, is low wages? In other words, you cannot say that you are for the kind of wages we pay in this country and the kind of a living standard we have developed and say you are for the competitive low-cost labor to come in and take their place. I mean you just cannot be on both sides.

Mr. STEBBINS. No, sir. I must tell you that in spite of the fact that the actual wage may be lower than that in America, the standard of living in all of the Latin American countries is going up at a remarkable speed. And I believe that we Americans have had a great deal to do to bring that about. And it is not stopping. And the wage increases—I do not want to go into any figures because I do not want to—I do not have them in front of me. But there are constant wage increases, and they are just beginning, because the labor is getting organized, well organized, in Latin America.

Senator MALONE. That is good.

Mr. STEBBINS. I am in favor of it as long as it is properly handled.

Senator MALONE. That is right.

Mr. STEBBINS. I am in favor of a higher standard of living in the United States and in Latin America.

Senator MALONE. All right. Then let me just ask you another question. I like to pinpoint these things because when you get away and read the record you might not understand it.

Then suppose our duty or tariff just represented the difference in the effective wages. What we mean by that is if they are not quite as efficient as we are the Tariff Commission knows how to handle that. But just the difference in the effective wages and the cost of doing business including the taxes in this country and in Peru on anything that they are the chief competing nation on. And every time they raise their standard of living, as it rises, that tariff goes down. It just equalizes it. When they are living about like us, automatically free trade.

Now, why would that not be a good, neighborly gesture?

Mr. STEBBINS. I just do not think it is.

Senator MALONE. Well, you just do not think it would give them any advantage; do you?

Mr. STEBBINS. Yes, sir. I believe really that, after all, a manufacturer, an industrialist, has the obligation as well as the privilege of trying to produce in the most efficient and economical manner possible, and by "economical" I mean merely efficient, because I do not mean that by holding people down or anything of that sort. Therefore, I think that to penalize him for being able perhaps or having certain advantages that God has given or created temporarily or permanently—he should not be penalized.

Senator MALONE. Now, whom would you be penalizing if you had a tariff like that or duty?

Mr. STEBBINS. In my opinion you would be penalizing the Latin American producer.

Senator MALONE. Because he had found this cheap labor and until he raised that standard of living he would have an advantage on just a free interchange?

Mr. STEBBINS. That—the advantage is very debatable. I know that the next witness will be able to——

Senator MALONE. I will be very happy to meet this next witness, whoever he is, but I want to finish with you right quick. All I want you to tell me is that you are not in favor of a duty or a tariff that would continually make it even or just make up the difference, and it would be lowered as they raised their standard of living. They have an equal access to our markets and no advantage, and you are not for that?

Mr. STEBBINS. I do not think it is right. I do not think it is practical.

Senator MALONE. Well, now, why would it not be practical?

Mr. STEBBINS. I do not think it is fair.

Senator MALONE. You do not think it is fair to the Nation——

Mr. STEBBINS. Nor do I think it is businesslike.

Senator MALONE. Well, you just do not think it is businesslike not to let American capital that goes into a lower cost nation, lower living standard nation, and invests your money—you do not think is fair to him not to let him bring the stuff in without a tariff?

Mr. STEBBINS. An American capitalist takes all kinds of risks, as you know, Senator, and if he has some little advantage—and I am not sure he has, but if he has—I think he ought to be entitled to it.

Senator MALONE. In other words, he should——

Mr. STEBBINS. For the risks.

Senator MALONE (continuing). Be able to find the cheapest labor in the world and bring it in here? He takes risk there so he must be able to bring stuff in without any evener of the labor or living standard at all? And you are for that?

Mr. STEBBINS. I am not in favor of this particular formula, sir.

Senator MALONE. Well, neither am I, but I am for it for one reason. I am staying with this Secretary of the Interior for the very reason that he is the first man in 24 years who has broken through the sound barrier at the White House and had an acknowledgement that it is necessary to have a tariff or a fixed price to make up the difference in the labor cost. That is the reason I am supporting it. It will not work, as a matter of fact.

Mr. STEBBINS. I agree with you. I do not think it will.

Senator MALONE. You do not say that. You say you are against that evener. You are going beyond that.

Mr. STEBBINS. No; I agree with you. I do not think it will work, because there will be a danger they will pile up certain quantities when the price is very low and then ship it heavily——

Senator MALONE. No; that is not the danger. The danger is your industries are shut down. They are shut now.

Mr. STEBBINS. That is right.

Senator MALONE. Then one more question. And I certainly do not want to prolong this. You are not even for a duty on a business basis, on a basis of flexibility, so that every day if necessary it could be lowered or raised to make that diffierence just so they are given equal access to our market but no advantage? You are not for anything that will work?

Mr. STEBBINS. I think the thing that will work best is to let nature take its course, and——

Senator MALONE. Free trade and just let everybody do the best he can?

Mr. STEBBINS. Have to take——

Senator MALONE. Mr. Chairman, that is all.

Senator ANDERSON. Mr. Stebbins, on the last page, page 5, [illegible] statement, toward the very end, you say:

I do believe that the form of remedy indicated in S. 2376 would be harmful to our national interests in Latin America and that the problem should be remedied through some other means.

I have been through a hundred suggestions of other means. Will you indicate the practical means that you think the Congress would pass and the President would sign?

Mr. STEBBINS. No, sir. I stated to Senator Malone that I do not feel qualified, not being in the mining business, to suggest a remedy.

Senator ANDERSON. Well, but you have come in saying, "This is no good. Use some other means." You certainly must have something to suggest, have you not?

Mr. STEBBINS. I admit that word as to "other means" may be badly worded, because I frankly think the best thing would be to do nothing.

Senator ANDERSON. Well, that is what I thought. You say that you just do nothing with it.

Mr. STEBBINS. Yes.

Senator ANDERSON. That is what I understood your last answer to be. You do not mean, then, that you favor some other means that might be helpful to American industry?

Mr. STEBBINS. Not unless some other means can be found which would be still better.

(For clarification of Mr. Stebbins' views, see his letter of July 26, 1957. on p. 210.)

Senator ANDERSON. Yes. Now, you say that the proposed tariff might result in Mexico's lead and zinc production becoming paralyzed. If you heard any testimony, you probably saw that New Mexico's lead and zinc industry had already become paralyzed. Is it safe to conclude if there has to be paralysis you want it in New Mexico and not in old Mexico.

Mr. STEBBINS. No, sir.

Senator ANDERSON. What would be the fair assumption?

Mr. STEBBINS. I have made it very clear that I do not want any paralysis anywhere.

Senator ANDERSON. I understand that? We were to assume that if there must be paralysis where would you want it? In old Mexico or New Mexico?

Mr. STEBBINS. I do not want it anywhere.

Senator ANDERSON. But if there must be paralysis, where do you want it?

Mr. STEBBINS. If there must be?

Senator ANDERSON. Yes.

Mr. STEBBINS. I would say everywhere.

Senator ANDERSON. Well, that is not what your statement says. Your statement says protect old Mexico and the hell with what's in the United States. Is that not right?

Mr. STEBBINS. No, sir.

Senator ANDERSON. What does it say? Your statement says that if we pass this bill that Peru's exports might drop from 28 million to 8 million. Do you think that is possible by means of a tariff mechanism?

Mr. STEBBINS. All I am saying, sir, is what the people who are running the mining businesses in both countries have stated. I am quoting them.

Senator ANDERSON. Then you are not testifying as to your own knowledge?

Mr. STEBBINS. I am testifying as to what they state.

Senator ANDERSON. Are you not here as a witness who knows the mining business?

Mr. STEBBINS. No, sir.

Senator ANDERSON. What kind of witness are you?

Mr. STEBBINS. I am here as a witness for W. R. Grace & Co. which has large investments in Latin America, which does not have any zinc and lead.

Senator ANDERSON. I understand. But they have been doing business in Peru for a long, long time in sugar, in everything under the sun, have they not?

Mr. STEBBINS. Yes, sir.

Senator ANDERSON. So they know the industry there; do they not?

Mr. STEBBINS. They know what affects the economy of the country.

Senator ANDERSON. You said the United States Government was doing a very fine thing in its point 4 program to help Bolivia care for its unemployment load. This was said in discussion with Senator Malone to the effect that in Bolivia employment is going to drop from 1,000 to 300. Employment is going to drop about that much in one county in New Mexico alone by the shutting of their lead and zinc operations. Do you know of any point 4 program to help these miners in the United States?

Mr. STEBBINS. No, sir. I am not familiar with what form of assistance is or will be given.

Senator ANDERSON. Then, why is it so good to take care of somebody somewhere else and pay no attention at home?

Mr. STEBBINS. I am not suggesting that, sir. All I am saying is that we should try to have the effect as little harmful to one side as to the other.

Senator ANDERSON. You subsequently said lack of employment in one country will mean repercussions in another. Do you recall making that statement?

Mr. STEBBINS. Yes.

Senator ANDERSON. Now, what reprecussions are going to follow in Peru because of this unemployment in the mining districts of the United States?

Mr. STEBBINS. I believe that if there is any widespread unemployment in the United States that the United States will be unable to purchase or sell as many products as she would if there was employment, and that has a repercussion all over the world, and particularly in the Latin American countries.

Senator ANDERSON. Well, you are greatly worried about what is going to happen in Mexico. There are those who are somewhat worried about what is going to happen in the United States.

Mr. STEBBINS. Yes, sir. I am equally worried, but my particular function for the moment is to discuss the Western Hemisphere, Latin America.

Senator ANDERSON. I do not find a word in here of sympathy for the United States for the miners.

Mr. STEBBINS. Yes, sir.

Senator ANDERSON. Show it to me.

Mr. STEBBINS. I have got it here somewhere.

Senator ANDERSON. Your attention was called to it. Mine was not.

Mr. STEBBINS. I have stated this: I am well aware of the problem——

Senator ANDERSON. Where is this?

Mr. STEBBINS. Page 3, sir. The last paragraph.

Senator ANDERSON. Yes.

Mr. STEBBINS. I have merely stated that I am well aware of the fact that some of our domestic producers are in a difficult position.

Senator ANDERSON. Well, you do not regard that as any dripping sympathy for them, because you start out, "But I do believe we mustn't give them any help." Do you call that a sympathetic approach?

Mr. STEBBINS. No, sir; I do not say we must not give them any help.

Senator ANDERSON. You said we must not pass this bill. And Senator Malone and I at least know—and I think others know—that in the Senate Committee on Interior starting in 1949, or so, we have dealt with a dozen remedies and we have never been able to get any of them past the White House and past the State Department, because somebody always comes in and cries for another part of the world.

This seems to be the only thing on which we have ever had the blessing of the administration, but you find yourself opposed to it.

Mr. STEBBINS. Yes, sir.

Senator ANDERSON. So you certainly would not call that enthusiastic help for the American mining industry; would you? This is the only thing they have ever had a chance to support that any of them believe in. This is not a partisan issue.

The first time I supported this, Congressman Dick Simpson, of Pennsylvania, proposed it. This time Senator Watkins is proposing it. We are trying to do something for American mining.

The only thing I can read into this statement is that you are well satisfied with your situation in South America and hope it stays that way. I do not blame you from the standpoint of business, but a section of the United States is affected. It is, in part, in my State. We would like to have a little prosperity too.

Mr. STEBBINS. I agree.

Senator ANDERSON. Thank you.

Senator MALONE. I would like to ask one more question after everybody else is finished.

Senator KERR. Mr. Stebbins, what is the principal business of W. R. Grace & Co.?

Mr. STEBBINS. W. R. Grace & Co., sir, is a very diversified company. It is in chemicals and many other industries in Latin America, chemicals in the United States, and in transportation, both in steamship and airline.

Senator KERR. To what degree is it in transportation?

Mr. STEBBINS. Well, it owns the Grace Line Steamship Co.

Senator KERR. Grace?

Mr. STEBBINS. And it is 50 percent owner of Pan American Grace Airways, otherwise called Panagra.

Senator ANDERSON. It is in the banking business too; is it not?

Mr. STEBBINS. It is also in the banking business. Thank you, sir.

Senator KERR. But the Grace line—what kind of shipping do they do?

Mr. STEBBINS. What kind of shipping?

Senator KERR. Yes. Is it cargo?

Mr. STEBBINS. Yes, sir, and passengers too.

Senator KERR. And passengers?

Mr. STEBBINS. Yes, sir.

Senator KERR. Can you explain briefly to the committee the law with reference to maritime shipping by the American merchant marine in the matter of its competitive position with the merchant marine of other countries?

Mr. STEBBINS. Well, the only way that the American merchant marine is able to survive on the high seas is through this construction and operating subsidy which it pays to the American steamship lines.

Senator KERR. And tell the committee briefly the elements of that.

Mr. STEBBINS. Well, I do not know all the details. It is very technical. But I can say that briefly it is—I am not directly in the steamship end of our business.

Senator KERR. You are the executive vice president of Grace & Co.

Mr. STEBBINS. That is right; in charge of our South American business. But in return for the steamship line agreeing not to make more than 10 percent profits—that is to say, in return for their giving back to the United States Government half of any profits over 10 percent, the United States Government gives it this subsidy as it is called, operating and construction differential, I think they call it.

Senator KERR. Now, if I understand it, that means that if you operate cargo bottoms—is that what you call them?

Mr. STEBBINS. Yes, sir.

Senator KERR. And employ American sailors——

Mr. STEBBINS. Yes, sir.

Senator KERR. That you get a subsidy from the American Government amounting to the difference between, for instance, what a vessel flying the English flag or the Danish flag——

Mr. STEBBINS. I think they have a committee of the Maritime Commission which investigates all of the different foreign-flag operations and arrives at some average comparison.

Senator KERR. The average of your competitors?

Mr. STEBBINS. Yes, sir; I think that is the way they go about it.

Senator KERR. And the subsidy to you, as I understand it, is the differential that you pay American sailors over and above what your competitors pay them?

Mr. STEBBINS. That is right.

Senator KERR. Now, that is in the operational phase. Is there any other element of that subsidy in the operational phase?

Mr. STEBBINS. No, sir; the other one is the construction.

Senator KERR. And, now, how does that work?

Mr. STEBBINS. Well, it is the same thing—that you can construct a ship in another country much cheaper than you can construct it in the United States. In order to encourage you to fly the American flag on your ships, which we do, they make up for that construction differential. But as I indicated, they make you pay for it because if we were flying a foreign flag we would be able to keep all the profits.

And we have, very frankly, debated in the past year as to whether or not we should continue to fly the American flag, because in spite of this aid through subsidy that I am talking about and then the return of half the profits over 10 percent, we do not always come out as well as we would under another flag.

But Grace & Co. has been linked to the American flag for a hundred years, and if for no other reason than prestige and our place in the United States, we feel that we just could not consider flying a foreign flag, although we have applied for a small route recently to fly the foreign flag.

Senator KERR. What flag?

Mr. STEBBINS. I do not know. I think any foreign flag.

Senator KERR. What amount of money has Grace & Co. received from the Federal Government on that differential in construction cost of its vessels?

Mr. STEBBINS. I do not have the figures, sir.

Senator KERR. Do you have any general idea?

Mr. STEBBINS. No; I have not, really. It is——

Senator KERR. Well, would it be hundreds or thousands—hundreds of thousands?

Mr. STEBBINS. It would run into plenty of money, I am sure, because we are investing at the present time $167 million in new ships over the next 15 years. We have a program. And so you can imagine then—and, furthermore, I should say this, too: The United States Government insists that we—in return for this subsidy—that we construct our ships according to certain formula which they exact, in order that these ships might qualify in time of war.

Senator KERR. Well, does it run into tens of millions of dollars?

Mr. STEBBINS. No; not that high.

Senator KERR. I think it does.

Mr. STEBBINS. I do not know the figures, sir.

Senator KERR. I was just thinking about this in view of your statement a while ago, in which you said, "I believe in free competition."

Mr. STEBBINS. I do not know whether I used that word, but——

Senator KERR. Well, ask the reporter there.

Senator MALONE. Yes; he used it.

Senator KERR. You said, "I believe in free competition."

Mr. STEBBINS. Yes, sir.

Senator KERR. I just wondered how strongly you believed in it.

Mr. STEBBINS. Well, sir, as I said, in the case of ships, we just simply would not be able to fly the American flag if we did not get the benefits that the United States Government chooses to give.

Senator KERR. I think that what you believe in amounts to an impression, in my own philosophy, that you are against any combine you "ain't in on."

Mr. STEBBINS. No, sir; not quite.

Senator KERR. Now, you own half interest in what foreign airline?

Mr. STEBBINS. It is not a foreign airline; it is American—Pan American Grace Airlines.

Senator KERR. Flying to foreign countries?

Mr. STEBBINS. Yes, sir; Pan American Grace Airways.

Senator KERR. Has it received payment from the Government?

Mr. STEBBINS. At times it has; at present it is not.

Senator KERR. At present it is not?

Mr. STEBBINS. No.

Senator KERR. But at times it has?

Mr. STEBBINS. Yes, sir; as have all the others.

Senator KERR. And if its operations at present got to a certain level with reference to breaking even or a loss, it would again?

Mr. STEBBINS. It might. For instance——

Senator KERR. Well, it has when it has been in that position, has it not?

Mr. STEBBINS. Yes, sir; and our greatest aim is to make ourselves independent of that subsidy. That is what we are seeking all the time to bring about.

Senator KERR. Well, I understand that, and I commend you for that. I was just trying to understand that in the light of your statement that you believe in free competition.

Mr. STEBBINS. Well, sir, when you come to transportation, I think you have got really a very special subject there.

Senator KERR. Well, I think every subject is a special subject to the man that is interested in it financially.

Mr. STEBBINS. Yes.

Senator KERR. Don't you?

Mr. STEBBINS. Yes, sir. I guess it is.

Senator KERR. Now, I was quite interested in—I was not here when you read your statement, but in the course of your discussion of the matter with the Senator from Nevada, much as I was interested in both the questions and answers, I took a little time and read your statement. I understood you to say that this bill if passed would hurt much of the hemisphere while it might temporarily help another part of the hemisphere.

Mr. STEBBINS. Yes, sir.

Senator KERR. Now, what part of the hemisphere is it that it might temporarily help?

Mr. STEBBINS. The United States.

Senator KERR. Well, now, that is not an unimportant part of the hemisphere, is it?

Mr. STEBBINS. Not at all. But, as I said, sir—I think you were out—that I think we ought to try to—we ought to make a very big effort to include Latin America in our overall hemispheric plans.

Senator KERR. I think so too. I even think we ought to include Oklahoma in them.

Mr. STEBBINS. By all means.

Senator KERR. What?

Mr. STEBBINS. Yes, sir.

Senator KERR. I think we ought to include Latin America.

Mr. STEBBINS. For our own self-interest I am talking.

Senator KERR. Yes, and for our own self-interest I do not think we ought to exclude Oklahoma.

Mr. STEBBINS. Neither do I.

Senator KERR. What?

Mr. STEBBINS. Neither do I.

Senator KERR. Now, on page 3, the last paragraph, you say the bill would assist our domestic producers temporarily but it would seriously harm Latin American producers. Can you tell us who those Latin American producers are? Who is the largest one?

Mr. STEBBINS. I frankly do not know, but I would—I frankly do not know, sir. I think the next witness can give you the answer to that.

Senator KERR. I will tell you the next witness is assuming more and more importance.

I only asked you——

Mr. STEBBINS. I would like to say this——

Senator KERR. I only asked you that question, Mr. Stebbins, because you said it would seriously harm Latin American producers.

Mr. STEBBINS. Yes, sir. Well, the largest producers——

Senator KERR. And I would presume that, having made that statement, you would be able to tell me who they are.

Mr. STEBBINS. Well, I know of one which is just closed—Vulcan in Peru.

Senator KERR. Vulcan?

Mr. STEBBINS. I am only talking about Latin American producers. And they are all small. The largest producers of lead and zinc, as you probably know, sir, in Latin America, are American companies.

Senator KERR. That is what I thought.

Mr. STEBBINS. Yes, sir.

Senator KERR. Now, as I understand it, we bring into this country nearly 800,000 tons of zinc and 600,000 tons of lead a year. Would you say that is somewhere near——

Mr. STEBBINS. Yes; I would think so. It sounds a little high.

Senator KERR. What?

Mr. STEBBINS. It sounds a little high. It may be correct though.

Senator KERR. As I remember, one of the witnesses here yesterday in his statement gave that information. And it is in Senator Watkins' statement if the clerk could find us one so we could refer back to it.

What part of that volume of imports would you estimate is being brought in by American-owned companies?

Mr. STEBBINS. Being brought in? What do you mean? By transportation?

Senator KERR. No; produced and sold in American markets.

Mr. STEBBINS. I do not know what the percentage is, but it is quite high, sir. I would say it was probably around—might be 70 to 80 percent. But that is taken out of the air.

Senator KERR. During 1956 the zinc imports set a new record of over 730,000 tons. Lead imports set a new record of over 600,000 tons.

Now, that was the statement yesterday by Senator Watkins, and I am sure that generally they are fairly accurate estimates.

Mr. STEBBINS. Yes, sir.

Senator KERR. Now, I take it then when you say, "But it would seriously harm Latin American producers," in view of the fact that these American companies are bringing in about 80 percent—and I understand that it is at least that much—that you are actually talking about this bill hurting American companies doing business in foreign countries.

Mr. STEBBINS. Yes, sir, and, of course, it has its repercussions in the foreign people that they employ.

Senator KERR. That is, they employ foreign labor?

Mr. STEBBINS. Yes, sir.

Senator KERR. Now, they pay taxes to foreign governments, do they not?

Mr. STEBBINS. Yes, sir.

Senator KERR. And they do not pay any taxes over here unless the taxation rate here is greater than the taxation rate there?

Mr. STEBBINS. That is right. Of course, they pay taxes on the dividends.

Senator KERR. Who does?

Mr. STEBBINS. The owners of the stock.

Senator KERR. The stockholders do?

Mr. STEBBINS. Yes.

Senator KERR. I am talking about the companies that produce the lead and zinc and make the money on it.

Mr. STEBBINS. Yes.

Senator KERR. Now, you think that we ought to have a system of law setting up regulation of trade and commerce including tariffs or quotas on the basis that would foster the production by American companies of foreign products in foreign countries with foreign labor, building the economies of foreign communities and countries, and paying taxes to foreign governments, even though it seriously penalizes American communities in which similar industries cannot thrive competitively, even though it dries up tax income to American towns and counties and States? Because if these companies do not operate in these communities and in these States they do not make any money on which to pay taxes. And even though it creates widespread unemployment among local labor in these communities? And even though it means that money made on the sale of products to the American market is taxable in a foreign country and to that extent not taxable here? You think that is a healthy economic situation?

Mr. STEBBINS. Well, sir, I believe that certainly up to now it has been to the interest of the United States to be able to draw on the minerals of Latin America.

Senator KERR. I do too. I do too.

Mr. STEBBINS. And I believe——

Senator KERR. But I do not think that it is unhealthy for them to be able to continue to draw on the minerals of continental America.

Mr. STEBBINS. Neither do I.

Senator KERR. Well, yet, that is the situation today.

Mr. STEBBINS. I believe——

Senator KERR. And you are aware of it, are you not?

Mr. STEBBINS. Yes, sir. But I believe——

Senator KERR. Now, what would you do?

Mr. STEBBINS. I think I would—I would do just precisely what the American companies abroad are going to have to do, and that is I would cut back if I was producing too much.

Senator KERR. Well, now, it just happens that in 1939 there was 33,000 tons of zinc a year coming in and now there is 733,000 tons a year coming in.

Mr. STEBBINS. Yes. Has not consumption grown considerably?

Senator KERR. Well, it has grown considerably, but the American producers produce a good deal less than 733,000 tons. So that where the foreign producer at one time might have had 2 or 3 percent of the domestic market, he now has between 50 and 65 percent of the domestic market.

Mr. STEBBINS. Largely due to the increased consumption.

Senator KERR. Well, but he has that much greater a percentage of a far greater consumption.

Now, to what extent do you think that he ought to be permitted to supply this market?

Mr. STEBBINS. I think that it should be——

Senator KERR. Free competition?

Mr. STEBBINS. The law of supply and demand.

Senator KERR. Free competition?

Mr. STEBBINS. Within reason.

Senator KERR. Just like the Grace cargo ships compete with those of other nations in the matter of transporting cargo from one nation to another?

Mr. STEBBINS. Yes, sir. I will be frank to tell you, if we flew the American flag—I mean the foreign flag——

Senator KERR. These boys I am talking about fly the American flag.

Mr. STEBBINS. If we flew the foreign——

Senator KERR. These zinc producers down in Oklahoma—and some of them are in this room—fly the American flag.

Mr. STEBBINS. Yes, sir.

Senator KERR. Now, do you think they should be treated any less favorably than the Grace Steamship Lines?

Mr. STEBBINS. Well, I am not in the mineral business, and I am not really capable——

Senator KERR. You are here talking about the mineral business.

Mr. STEBBINS. I am talking about——

Senator KERR. Are you telling me now you are talking about a subject you know nothing about or on which you have no opinions?

Mr. STEBBINS. I am talking about the principle——

Senator KERR. Well, I am talking about principles.

Mr. STEBBINS. Of the effect of what is being proposed in this bill.

Senator KERR. I see that in 1930 the United States mine production of lead was 558,000 tons, and the imports were 78,000 tons, which was 14 percent. The United States mines produced 595,000 tons of zinc, and imports were 3,000 tons, which was one-half of 1 percent. In 1957, American production had gone down from 595,000 tons in—this is in 1956. We only have it here for 4 months in 1957. American production had gone down from 595,000 to 538,000 tons. Imports had gone up from 3,000 tons to 771,000 tons. So that where in 1930 the imports had been one-half of 1 percent, proportionately, of the American market compared to the local production, it has now 143 percent. It now provides to the domestic market 143 percent of what domestic producers provide. Now, do you think maybe it has gone far enough to where some consideration should be given to protecting the domestic producer?

Mr. STEBBINS. Maybe, sir. I think there are lots of considerations which a mining man would be able to talk about better than I could. That is a question of the grade of the minerals——

Senator KERR. Well, now, you are here telling the committee what it should not do. Would it be inappropriate for you to have a thought on what we should do?

Mr. STEBBINS. Yes, sir. My formula is to do nothing.

Senator KERR. Is to do nothing?

Mr. STEBBINS. Yes, sir, except that if——

Senator KERR. I thank you for that, and I think that the committee should regard and consider your evidence in the light of your statement that, while you tell us here on page 3, "I am well aware of the fact that some of our domestic producers are in a difficult position," you still tell us that you would do nothing about it.

Mr. STEBBINS. I mean by that—I should explain that when I say——

Senator KERR. Well, I think it would take some explanation.

Mr. STEBBINS. When I say "do nothing," I mean do nothing about putting in artificial means of preventing—of tackling this question of production in Latin America.

Senator KERR. Well, do not limit yourself to artificial means. Address yourself to any kind of means and tell us what you would do.

Mr. STEBBINS. If we had widespread unemployment in the United States, and as I——

Senator KERR. Well, you are aware of the fact that we have widespread unemployment among the lead and zinc miners, are you not?

Mr. STEBBINS. We have some, I know.

Senator KERR. Are you not aware of the fact that we have widespread unemployment among domestic miners?

Mr. STEBBINS. I do not know exactly how much, sir.

Senator KERR. Well, would you accept my word for that?

Mr. STEBBINS. Yes, sir.

Senator KERR. And, on that basis, then, tell us what you would do.

Mr. STEBBINS. I would have to make a pretty careful study of the pros and cons of what brought that about.

Senator KERR. Well, I think, in view of what I have just told you here—that domestic production since 1930 has declined in the matter of zinc from 595,000 to 538,000 tons, in lead from 558,000 to 348,000 tons, that imports have increased as far as zinc is concerned from 3,000 up to 771,000 tons, lead from 78,000 up to 479,000 tons—that that would provide some information to you to look at in your deliberation and consideration of what might be done.

Mr. STEBBINS. Yes, sir. That would be one angle.

Senator KERR. Do you not think that it would seem that, in view of the fact that tax income to the American Government, State, and local governments, that employment of American labor, that development of American communities should have at least equal consideration to what should be given to American producers in foreign countries employing foreign labor and bringing in foreign products?

Mr. STEBBINS. Yes, sir; I do.

Senator KERR. Then how would you feel about a system of quotas?

Mr. STEBBINS. I would not like that.

Senator KERR. Well, what other—if you do not like a tariff and you do not like quotas, what would you suggest?

Mr. STEBBINS. I believe the laws of supply and demand, sir, will correct this situation.

Senator KERR. Well, but you know it does not make a great deal of difference to a fellow what you do for him after he is dead.

Mr. STEBBINS. Maybe you have to start feeding him, temporarily.

Senator KERR. Well, I am asking you.

Mr. STEBBINS. But perhaps not in the form that is being proposed.

Senator KERR. Well, but we are just ordinary men like you, and we realize that there is a bunch of fine American businessmen out here that are in a storm, and it looks like we might have a lifeboat or something here to send out for them, and you sit there and tell us you do not like what we are about to do, and you do not want us to do anything until we can figure out something that you would like. And I am asking you what you would suggest.

Mr. STEBBINS. Well, sir, as I said, I believe that the producers—the effect is already taking place. One important mine in Peru has closed down in the past week. Seven hundred people have been thrown out of jobs.

Senator KERR. But——

Mr. STEBBINS. Another mine is going to cut back its production.

Senator KERR. What kind of mine is that?

Mr. STEBBINS. It is lead and zinc.

Senator KERR. But the overall imports—I want you to get these figures—of lead and zinc in 1930 were 81,000 tons. Domestic production that same year was 1,053,000 tons.

Mr. STEBBINS. Yes, sir.

Senator KERR. In 1956, domestic production had gone down from 1,053,000 to 886,000, while imports had gone up from 81,000 to 1,250,000 tons.

Mr. STEBBINS. Yes, sir. Do you have the consumption figures? Well, the consumption figures are just within———

Senator KERR. I presume it would be somewhere near the sum total of each in each instance.

Mr. STEBBINS. Within 100,000 tons probably.

The CHAIRMAN. What are the dates?

Senator KERR. 1930 and 1956.

Now, you say you know of one mine in Peru that is shutting down?

Mr. STEBBINS. Yes, sir.

Senator KERR. I know of only 1 mine that is still operating in Oklahoma out of about 125.

Mr. STEBBINS. I think that is probably going to be the case in Peru, too, and maybe Mexico, because there are lots of small mines in Peru.

Senator KERR. Would you not think that it would be incumbent upon this committee and this Congress representing the people of the United States to take some remedial action to correct the situation that has developed under legislation passed by this Congress?

Mr. STEBBINS. Might well be, sir.

Senator KERR. But you do not have any specific suggestion?

Mr. STEBBINS. No, sir.

Senator KERR. Do you think that we should give as much consideration to our own producers who produce here as we do to American producers who produce there?

Mr. STEBBINS. Yes, sir.

Senator KERR. Well, now, what are the present prices of lead and zinc in the American market?

Mr. STEBBINS. I think it is 10 cents and 14 cents—the last figures I heard.

Senator KERR. Do you know what it was 90 days ago?

Mr. STEBBINS. No, I do not.

Senator KERR. Is there anybody here who can tell us?

Mr. STEBBINS. I know it was higher.

Senator BENNETT. It was 16 and 13½.

Now, if these importers can bring in 1,250,000 tons a year at an average price of 12 cents a pound and fight to get the opportunity to do it, do you see where they would be hurt if we passed a law here that would not prevent them from continuing to import that amount nor receiving that price but which would just result in the American producer getting a little more than that for what he produced?

Mr. STEBBINS. Well, sir, I do not know what the break-even price is, but I would think that 12 cents would be very difficult to sell profitably—at 12 cents—but I do not know.

Senator KERR. Well, that is what the American producer is having to do now.

Mr. STEBBINS. Yes, sir; they are all having to do it.

Senator KERR. Well, would the tariff that is suggested here, which looks to me like giving a man that is starving to death a teaspoonful of rice a day—would that of itself reduce the price which the importer received for his product?

Mr. STEBBINS. It would reduce the quantity of his produce which would be purchased.

Senator KERR. Well, if he is already losing money would that hurt him?

Mr. STEBBINS. It would hurt him that much more, I guess.

Senator KERR. Or that much less?

Mr. STEBBINS. That much less. He has got to maintain his men; has he not?

Senator KERR. But you say he is losing money on turning in 1,250,000 tons a year. If he is losing money at that price, the more he sends in the more he loses.

Mr. STEBBINS. Has that been the average price over the years? Twelve cents?

Senator KERR. That is what it is now.

Mr. STEBBINS. Yes; but I do not know that he has sent in that 1,250,000 tons at that price.

Senator KERR. Well, that is what he sent in last year, and I will tell you what he sent in the first 4 months of this year. He sent in 446,000 tons. And if you multiply that by 4——

Senator JENNER. He is holding his own.

Senator KERR. That is at the rate of 1,784,000 tons.

Now, if he is losing money at 12 cents a pound, is it not a fact that the more he ships the more he loses?

Mr. STEBBINS. I would think so if he is——

Senator KERR. So if we fixed it so we would reduce his losses and restored to the American producer the opportunity to survive, would that be an unwholesome thing?

Mr. STEBBINS. I think it would—in that form.

Senator KERR. Well, I think in view of the fact that you believe that if we could do something which would reduce the losses of the foreign producer and maybe fix it so the American producer could survive—if you think we should not do anything like that, I do not think there is much use for you and me to pursue this question further.

But I appreciate your frankness.

Mr. STEBBINS. Yes, sir. Thank you, sir.

Senator WILLIAMS. Mr. Chairman, could I ask one question?

The CHAIRMAN. Yes, Senator.

Senator WILLIAMS. Do I understand, Mr. Stebbins, that your opposition to this bill is based upon your belief——

Senator KERR. I want to make one correction. I gave him a 4-month figure. And to get a year you do not multiply that by 4. You multiply it by 3.

Mr. STEBBINS. That is right.

Senator JENNER. About a million two.

Senator KERR. I found some fault with George Humphrey the other day because he could not count up to four, and I do not want to [laughter]——

Senator JENNER. They are holding their own. It is about 1,200,000.

Senator KERR. 1,338,000. So that there is some increase.

Thank you very much.

Senator WILLIAMS. Mr. Stebbins, did I understand you to tell the Senator from Oklahoma that your objection to this bill was based upon your great belief that the free-enterprise system and the competitive system would function if allowed?

Mr. STEBBINS. If it was allowed to what?

Senator WILLIAMS. If it were allowed to function; do you believe that it would work?

Mr. STEBBINS. I do not understand.

Senator WILLIAMS. Well, you felt that these mineral producers in Central and South America and mineral producers in this country should be allowed to compete with one another freely; is that correct?

Mr. STEBBINS. That is right.

Senator WILLIAMS. However, you qualified in your own instance defense of the subsidy on the operation of your ships; is that correct?

Mr. STEBBINS. Yes, sir; because the American transportation, as you know, is linked with the defense and security of the country. It is a little—I must say that it is a little different from ordinary businesses.

Senator WILLIAMS. In construction of a ship, if the Defense Department makes certain suggestions that a ship should include certain additional factors—heavy timbers here or there—is it not a fact that those additions are paid in their entirety by the Defense Department other than the construction differential subsidies?

Mr. STEBBINS. I am sure that they allow for whatever additional cost develops from their plans.

Senator WILLIAMS. That is right. Therefore, that factor of it is not considered at all. That is paid over and above the subsidy; is that not true?

Mr. STEBBINS. I do not know whether it is included in the subsidy. I should think it would be. I frankly do not know the correct answer.

Senator WILLIAMS. Whether it is included in it or not, it is paid in addition to it; is that not true?

Mr. STEBBINS. It is paid.

Senator WILLIAMS. And in computing the construction differential subsidy, is labor—the differential cost in labor in this country and in the world markets—the only factor? Or do they take into consideration the difference in the cost of materials?

Mr. STEBBINS. No; I think it is only labor. Well, there are two subsidies. One is the construction cost, and the other is the labor.

Senator WILLIAMS. I am speaking of the construction cost.

Mr. STEBBINS. Construction cost. Presumably they take into account all of the materials entering in. I would think so.

Senator WILLIAMS. And that would mean to the extent that lead and zinc was used in the construction of a ship that too would be subsidized? Is that not true?

Mr. STEBBINS. Might be.

Senator WILLIAMS. And after these ships are constructed on the differential subsidy cost and they are operated on the basis that the Government underwrites the difference in the cost of labor in the operation——

Mr. STEBBINS. Yes, sir.

Senator WILLIAMS (continuing). You pointed out that in return you turn back to the Government one-half of all over 10 percent?

Mr. STEBBINS. Yes, sir.

Senator WILLIAMS. Do not all American corporations return 52 percent of all over 10 percent they make anyhow?

Mr. STEBBINS. Yes, but it's a completely different formula. Actually, the Grace Lines also pays a tax on its profits.

Senator WILLIAMS. That is true, but that reduces the extent—but in reality you would turn back part of it even without that contract, would you not?

Mr. STEBBINS. I presume you do.

Senator WILLIAMS. So really it is about 25 percent, I think.

But other than those two factors, you do feel that the free competitive system should function? Is that true?

Mr. STEBBINS. I believe it is to the best interests of maintaining high standards of living throughout the world, which affects the United States as much as any country, due to the fact that we have built the economy so high.

Senator WILLIAMS. Did you endorse the proposal that one-half of the American foreign aid should go in American-flag ships, or would you go along with the repeal of that and let that be shipped in free competitive markets?

Mr. STEBBINS. We have taken the position that one-half of Government cargoes should go on American ships.

Senator WILLIAMS. Without regard as to the cost of the freight? Is that correct——

Mr. STEBBINS. Yes, sir.

Senator WILLIAMS. Cost of transportation?

Mr. STEBBINS. Yes.

Senator WILLIAMS. So then you are not endorsing a free economy even without the construction and operation differential subsidies? Is that true?

Mr. STEBBINS. Not insofar as United States Government cargoes are concerned, because they represent an important element today in the total cargoes.

Senator WILLIAMS. That is true.

Mr. STEBBINS. And also we are in the transportation business competing against, in certain cases, discriminatory practices of other countries.

Senator JENNER. Mr. Stebbins, I have been rather mystified here by your testimony this morning. It seems to me, following the policy and the position you have taken in regard to lead and zinc, that if you followed that policy in regard to the rest of the productivity of this country, what you are saying is that we have one beautiful world and let those that can produce the cheapest produce it.

And I think maybe you might have something there—with one exception. When you follow that line of reasoning to a logical conclusion, you are going to necessarily reduce the standard of living of the American people to the level of the rest of the world. Is that your objective? Is that what you believe in?

Mr. STEBBINS. No, sir. As I stated earlier, sir, I believe, and our objective is, to raise the standard of living in countries where we operate so that the standard of living everywhere will be as high as possible.

Senator JENNER. In other words, following your line of reasoning, I can easily see where you are going to raise the standard of living of the rest of the world but in order to do that you are going to necessarily have to lower the American standard of living. Is that not right?

Mr. STEBBINS. There is a possibility that to some extent the American standard of living may be reduced to some extent as the standard of living of other countries in the world increases. I think that is a possible result.

Senator JENNER. In other words, for them to have more, we must have less?

Mr. STEBBINS. That might be a logical sequence. I am not for it.

Senator JENNER. Is that not absolutely the necessary end of the policy that you are advocating?

Mr. STEBBINS. Not necessarily. There are so many factors, sir, that enter in that it is impossible to tell.

Senator JENNER. What are some of the factors?

Mr. STEBBINS. Well, I mean the degree of prosperity, the margins of profit, and all that sort of thing enter in.

Senator JENNER. Would not the degree of prosperity in this country and the margins of profit automatically disappear if we show preference as you are recommending that we do to foreign countries? I am not confining it necessarily to Latin America or South America. As a matter of fact, I would encourage that kind of trade. I think the Western Hemisphere should be encouraged. But if you are going to apply this principle to one section of the world, you are going to have to apply it to other sections of the world. And when you do that, in order for them to come up, we are going to have to go down. And do you think the American people want to lower their standard of living?

Mr. STEBBINS. No, sir. Nobody wants to lower their standard of living anywhere. And I am not recommending any preference.

Senator JENNER. Are you not lowering the standard of living of the lead and zinc industries in this country when you advocate the proposition you have adocated here this morning for South America and for Mexico?

Mr. STEBBINS. If the consumption is below production in any commodity, until the situation rectifies itself, the standard of living in that particular area is going to come down both in the United States and Latin America.

Senator JENNER. Well, you are advocating then a one-world free trade, are you not?

Mr. STEBBINS. Not completely. I am not that idealistic. I believe that you have a certain amount of give and take in this world and that it is not practical to have one-world free trade.

Senator JENNER. Well, Senator Kerr has just demonstrated to you what has happened in these two specific industries, and as far as I am concerned I can project that on into many other industries if this policy is pursued.

Now, your company is not on a free competitive basis. You get certain subsidies. But you do not seem to want the lead and zinc people to have any protection. Why is it that what is good for you is not good for them?

Mr. STEBBINS. I tried to show that the transportation business—I think you must admit it is a little different from all other businesses. We could be in the transportation business flying a foreign flag and we would probably be making more money. But as a matter of policy, public United States policy, we prefer to continue flying the American flag. We have certain advantages and certain disadvantages by doing so.

Senator JENNER. But you do not believe in these particular industries we are discussing here this morning, that the domestic producers of lead and zinc should have any help of any kind and that the law of supply and demand—in other words, Senator Kerr has shown you where the production of lead and zinc and the importation of it from foreign countries has increased from 81,000 tons in 1930 to well over a million tons in 1956, where domestic production of those same commodities has decreased from better than a million tons to something like 800,000 tons. And you still think that we should go ahead and operate under that system and let the domestic producers sink or swim?

Mr. STEBBINS. I do not think we should let them sink. I think that if——

Senator JENNER. How are you going to help them?

Mr. STEBBINS. I do not know.

Senator JENNER. As long as other countries keep importing in here, how are you going to help them unless you give them some kind of protection? Because you have got a great differential in the standard of living.

Mr. STEBBINS. That is debatable, sir.

Senator JENNER. What do you mean it is debatable? Do you mean to tell me that the labor in Bolivia and Peru and so forth has the same standard of living as the lead and zinc producers in America?

Mr. STEBBINS. Well——

Senator JENNER. That they get the same wages?

Mr. STEBBINS. They do not.

Senator JENNER. That they live in the same kind of homes, drive the same kind of automobiles, have televisions, and so forth?

Mr. STEBBINS. They are beginning to get a lot of televisions in some countries.

Senator JENNER. Do you want them to take them away from our producers?

Mr. STEBBINS. No, sir.

Senator JENNER. So they can have them in South America?

Mr. STEBBINS. No, sir.

Senator JENNER. That is what you are advocating.

Mr. STEBBINS. I am advocating the same treatment to the Latin Americans as to our own people when it comes to handling this problem.

Senator JENNER. I have no further questions.

The CHAIRMAN. I would like to ask a question. In response to Senator Kerr you said you had no estimate of the amount of subsidies received by W. R. Grace.

Mr. STEBBINS. The Grace Line.

The CHAIRMAN. Is that correct?

Mr. STEBBINS. The Grace Line.

The CHAIRMAN. You receive two kinds of subsidies on the shipping end, as I understand—one for construction and one for operating.

Would it be possible for you to furnish for the committee files a statement of the subsidies you have received for the past 5 years?

Senator KERR. Ten years.

The CHAIRMAN. Ten years?

Mr. STEBBINS. Yes, sir.

The CHAIRMAN. On the basis of those two?

Mr. STEBBINS. Yes, sir.

The CHAIRMAN. Now, in the Pan American Grace Airlines, in which your company owns a half interest, are there any subsidies in that?

Mr. STEBBINS. As I said to Senator Kerr, there were some subsidies for several years, as there were to all airlines, but during the past 2 years or so Pan American Grace Airways has been able to operate without subsidy and it has not requested any.

The CHAIRMAN. I understand.

Are there any other companies in which you own a substantial interest that receive subsidies from the Government?

Mr. STEBBINS. No, sir; not that I know of.

The CHAIRMAN. It is only in connection with these two things?

Mr. STEBBINS. Two transportation companies.

The CHAIRMAN. The construction of the ships and the operation of the ships?

Mr. STEBBINS. Yes, sir.

The CHAIRMAN. The committee will appreciate that information.

Mr. STEBBINS. I would be glad to. I would like to explain that the reason I am not able to answer specifically your question is that the Grace Line is run as an independent organization and has its own president.

The CHAIRMAN. We did not expect you to be able to answer it today anyway.

Senator KERR. Would the chairman ask him to furnish also the amount which his airline received during the last 10 years?

Mr. STEBBINS. Yes, sir.

The CHAIRMAN. That has been discontinued now, as I understand it. Two years ago?

Mr. STEBBINS. Yes, sir.

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Stebbins, did the Grace Line have any contracts with the United States Government to furnish tungsten in the last 10 years?

Mr. STEBBINS. No, sir. W. R. Grace & Co. did.

Senator MALONE. What were those contracts, if you know?

Mr. STEBBINS. I was not around. I was in South America at the time they were negotiated. And they were negotiated, I believe, during the war.

Senator MALONE. And what price per unit did you get for the tungsten?

Mr. STEBBINS. I think there were varying prices—around 55 to 60 cents a unit.

Senator MALONE. Dollars, you mean?

Mr. STEBBINS. I mean dollars. Pardon me.

Senator MALONE. $55 to $60 a unit.

Mr. STEBBINS. Yes, sir.

Senator MALONE. Have those contract been supplied, and have they expired?

Mr. STEBBINS. Yes, sir.

Senator MALONE. We had quite a fight here in Congress trying to give domestic operators $55 for an extended period, and the House did not pass it, which is their right, and we have that little argument here. So I just wondered.

Now, where did you get the tungsten?

Mr. STEBBINS. From Bolivia.

Senator MALONE. What are the wages over there, generally speaking?

Mr. STEBBINS. I do not know that I can answer that, because as—I would like to say that the actual wage, which is very low compared to the American wage—is only part of the picture. You have——

Senator MALONE. We know all about that.

Mr. STEBBINS. All those fringe benefits of——

Senator MALONE. I have heard that story so much. And, of course, that is the reason I went to Peru. I watched those boys work in the mines. And if you could do any better than they are doing in the Andes there with American engineers heading it, with some American workers mixed in with it, I think you are going to do pretty good. I do not know of any more efficient work.

But you have to remember that I have seen that myself.

Mr. STEBBINS. Yes, sir.

Senator MALONE. And other Senators may go later. I hope they do.

Mr. STEBBINS. I hope so, too.

Senator MALONE. Now, you then got more money—$50 to $60 per unit—for your tungsten out of South America, than we are offering in the bill, extension of the 1953 Minerals Purchase Act, extended to 1956—more than we are offering our own people, where the wages here are $17 or $18 a day, and, in addition to that, we pay about as much, you will find, in industrial insurance and social security as you pay in wages over there.

You ought to investigate that in case you just are not cognizant of the facts, because you may come before this committee again and we would like to question and get the facts.

Mr. STEBBINS. Yes, sir.

Senator MALONE. Now, the objective, of course, of your advocacy of the free trade or the continuous free trade competition is to raise the standard of living of the workers, the workingmen, in Peru, is it not?

Mr. STEBBINS. As we go along; yes, sir.

Senator MALONE. Well, now, I have got a suggestion that you might consider, and I have been to every nation in the world and watched these people operate in industries even in Russia. I went a thousand miles east of the Urals, and in the Ural Mountains there's one of the greatest mineralized areas in the world. It drives an engineer crazy.

As long as you let this stuff come in so that you can make a profit off of the low wages, the pressure by American investors and other investors under these dictators and kings of Europe and Asia and also South America is to hold those wages down. But if you took the profit out of the low wages at the water's edge, which is all a tariff or duty was ever for—adjusted, awkwardly at times but the idea was to equalize the wages and the taxes—and if you took the profit out of it at the water's edge and let it become again a principle of Congress, which it was for 145 years, then it is my personal opinion—and I would like to have you consider it—that these people then would take a look at their own workingmen and let their wages go up and create a market in their own country.

The only difference—not the only difference, but the chief difference in our country and in many of these other countries is that we allowed our labor, working people, to draw more wages. It was kind of a division of the profits in wages and created the greatest market in the world.

Now, what you are doing and what you are advocating, as Senator Jenner said, by the time you have reached your logical conclusion and our workingmen are displaced, you have destroyed the market that you are trying to get, where if you allowed your own workingmen to make a little more money you would create a market there, and you do not have a market there.

There is no market anyplace in the world for anything right now unless we give them the money ahead of time or allow them to sell something at a high price here with their low wages to get the money to buy.

Mr. STEBBINS. I would like to say this, sir: That the money that——

The CHAIRMAN. Senator Malone, if you will pardon the interruption, the chairman is compelled to go to the floor of the Senate. Senator Kerr will act as chairman.

Now, the next witness apparently is a very important witness, and due to the situation of the Senate the Chair is of the opinion that we ought to recess until 10 o'clock tomorrow morning if that is agreeable to the committee.

Sorry to interrupt you.

Senator MALONE. One other point.

Senator BENNETT. Well, Mr. Chairman, it is understood that we are not now recessed?

Senator MALONE. We are recessing when we are through with the witness.

The CHAIRMAN. Senator Kerr is going to take the chair as long as he chooses. But I personally have got to go to the floor.

Senator MALONE. One more point I want to bring to your attention. Could we have order, Mr. Chairman?

Senator KERR. It is all right for anyone to leave if you want to, but we would appreciate your doing it quietly while the questioning proceeds.

Senator MALONE. You have indicated a time or two you think there ought to be some kind of compromise or some difference in this price, but you are not very clear what it is. And I want to ask you if you believe, as I do, that if that duty or tariff or the fixed price, whatever you arrive at, whatever they might arrive at in Congress, is 10 percent below what that differential in the cost of labor and the cost of doing business including the taxes in this country and the chief competing nation is, if it is 10 percent we will say below, then if our people want to stay in that business they must reduce the wages and cost of doing business that 10 percent to stay in. Would that not seem reasonable to you?

Mr. STEBBINS. I do not like any arbitrary manipulation of——

Senator MALONE. This is not an arbitrary manipulation. It is simply a question if this tariff or duty or fixed price does not correctly represent the differential in the cost due to the labor and the taxes and the cost of doing business here and in Peru, if that is the chief competing nation on any product, then in order for the Americans to stay in business they would have to meet that difference, would they not?

Mr. STEBBINS. That would be one way of doing it, but I am afraid it would be interpreted in this age in which we live as very discriminatory on the part of the United States toward those other countries.

Senator MALONE. No, no, I think you misunderstood the question entirely. Let me go over it again. And that is that if we do not do anything about this, leave it the way it is, like you suggest, then in order for these zinc producers to keep these workingmen at their jobs they must reduce the cost of their operation, of wages, and cost of doing business to meet the Peruvian or whatever the chief competing nation's cost is to stay in business, do they not?

Mr. STEBBINS. I do not think so.

Senator MALONE. How would they stay in business?

Mr. STEBBINS. It is not the Peruvian costs.

Senator MALONE. I said whatever nation it is.

Mr. STEBBINS. It is not the Latin American costs that is causing the market to go down.

Senator MALONE. What is causing it?

Mr. STEBBINS. Surplus of production.

Senator MALONE. Well, what caused the surplus?

Mr. STEBBINS. Inadequate consumption.

Senator MALONE. Well, where is this consumption you are talking about? What nation consumes most of the zinc and the lead?

Mr. STEBBINS. I presume the United States.

Senator MALONE. I expect so.

Senator BENNETT. Would the Senator yield to me for a second?

Senator MALONE. I would be happy to.

Senator BENNETT. I have been sitting here doing some scribbling, and I think these figures fit into the record exactly at this point.

Senator MALONE. I am happy to yield to you, but I am going to let you finish and then I will start again.

Senator BENNETT. That is right. But I think these figures fit into the question of overproduction.

There is a table which will undoubtedly be put in the record tomorrow by the witness who has been set up for tomorrow, and I have gathered my figures from his table.

Now, if the chairman wishes, I will be glad to put it in the record now to support——

Senator KERR. Just as you wish.

Senator BENNETT. The conclusions.

Well, I would like to offer then for the record a table which is headed "Ten-year comparison, lead production, consumption, and price."

(The table referred to follows:)

APPENDIX A.—*10-year comparison lead production, consumption, and price*

[Thousands of short tons]

Lead	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
United States:										
Production and secondary recoveries	896	890	822	913	906	861	829	806	840	848
Consumption	1,172	1,131	958	1,238	1,185	1,131	1,202	1,095	1,213	1,190
United States, Canada and Mexico:										
Production and secondary recoveries	1,314	1,281	1,213	1,328	1,301	1,288	1,255	1,252	1,264	1,246
Consumption	1,247	1,202	1,018	1,303	1,250	1,195	1,278	1,176	1,302	1,288
Western Hemisphere:										
Production and secondary recoveries	1,409	1,388	1,331	1,456	1,[illegible]52	1,444	1,419	1,409	1,436	1,425
Consumption	1,304	1,252	1,072	1,373	1,320	1,240	1,319	1,237	1,349	1,323
	105	136	259	83	132	201	100	172	87	202
Free world:										
Production and secondary recoveries	1,939	2,017	2,072	2,297	2,310	2,364	2,281	2,455	2,559	2,562
Consumption	1,924	1,845	1,715	2,125	2,138	2,050	2,220	2,309	2,466	2,474
	15	172	357	172	202	314	61	146	93	88
Average price (cents per pound)	14.673	18.013	15.364	13.296	17.500	16.467	13.489	14.054	15.138	16.013

Senator MALONE. Might I see the table? What does it show? What are you proving by it?

Senator BENNETT. I am demonstrating the existence of overproduction.

Senator MALONE. We know there is overproduction. Now, does this say why?

Senator BENNETT. No; but I would like if the——

Senator MALONE. That is what I asked him.

Senator BENNETT. If the Senator will yield, I want you to—I want to get the actual figures in the record.

Senator MALONE. I want you to get them in the record.

Senator BENNETT. Taking the figures on the table for the Western Hemisphere only, they show average annual production, including recovery from secondary recoveries, of 1,422,000 tons. Average annual consumption of the Western Hemisphere is 1,320,000 tons. An annual overproduction in the Western Hemisphere of 100,000 tons.

Now, that is over a 10-year period. And in not a single 1 of those 10 years was consumption higher than production. So we had an accumulating overproduction in the Western Hemisphere for 10 years. At an average of 100,000 tons a year, we have now produced approximately 80 percent of a full year's consumption in terms of overproduction. The free world as a whole has an average annual production of 2,290,000 tons, consumption of 2,130,000 tons, or an annual average overproduction of 160,000 tons.

I went back and made another calculation. Considering the Western Hemisphere production against the United States consumption, on the theory that we are—the theory suggested by the witness, with which I agree—that as far as military and defense situations are concerned we were fortunate to have the total Western Hemisphere production—the average Western Hemisphere production is 1,422,000 tons, the average Western Hemisphere consumption was 1,320,000 tons. the United States consumption average for the 10 years is 1,150,000 tons, so the non-United States consumption is 170,000 tons.

When we take that out we return to the same figure. Assuming that the American market is the fundamental market, we have an overproduction of 100,000 tons a year bearing against the domestic market.

Now, in the face of those figures and in the face of the fact that there has been excess production of lead in the Western Hemisphere every year for 10 years, it is a little hard for the Senator from Utah to believe that the law of supply and demand will move in now after it has failed for 10 years to correct this balance between production and consumption.

Mr. STEBBINS. Yes, sir; it will, because the price has gone down. That is what is going to control it.

Senator BENNETT. The price was down at the end of the Korean war, and if it had not been—as we discussed in our conversation earlier, if it had not been for the Federal stockpiling program the price would have been down——

Mr. STEBBINS. Yes, sir.

Senator BENNETT. Over all this period of time. So it did not correct it when the price was down a little lower than this.

In other words, it seems to me that after 10 years we must begin to look for other remedies and other protections than to depend for more than 10 years on the law of supply and demand. During these 10 years the domestic production has gone down and the production outside of the United States has gone up. So apparently the law of supply and demand has not been a deterrent to those of our friends who are producing outside of the United States.

Those are the figures, Mr. Chairman, that I wanted to get into the record.

Senator MALONE. Are you finished?

Senator BENNETT. Yes; thank you very much.

Senator MALONE. Now, I find this statement very impressive.

Senator BENNETT. May I point out that that is the statement of the witness who has not yet appeared. That statement is not yet in the record.

Senator MALONE. I understand some of his figures have been put in the record, and I intend to comment on a couple of things he said in connection with it.

His name is Jean Vuillequez. He is vice president in charge of sales and a director of the American Metal Co., Ltd., 61 Broadway, New York City.

Now, digressing—and I will come back to you in a minute—he says here, and very truthfully, that this method proposed by S. 2376 that we are discussing here today, this method of legislation, bypasses both the normal processes of negotiation by the State Department with the interested foreign governments and the Tariff Commission hearings required under the escape clauses of our GATT agreements.

He is entirely right. Because for 24 long years we have had a policy of continually lowering our tariffs or duties or whatever you call it so that they are no protection whatever to any industry except some manufacturing industries that have been able to hold their tariffs about where they were in the beginning.

Now, there are two ways of lowering a tariff. The direct method, which was used in the case of lead and zinc, is under the 50-percent reduction of the 1934 Trade Agreements Act. And then under a further reduction of 50 percent which would make a total of 75 percent. The other method is inflation. The dollar here now on the basis of 1934, it was testified here the other day, is about 47 cents. So that cut the tariff in half, the fixed tariff. If it is ad valorem it does not affect that that way, but with a fixed tariff it lowered it 52 percent.

Now, he goes on:

The request for Government assistance from domestic producers of lead and zinc has been tied to the necessity of such assistance from the point of view of this country's defense.

The Committee on Interior and Insular Affairs said that that was not true, that we can secure these metals in South America, the whole hemisphere, during war, which we have done before and could do again much better than we did. We said we believe this argument has no validity, and I do not believe it has either.

But we are talking about the economic structure of this country and these little communities all over the country. That is what we are talking about.

Now, I pass on to a very interesting statement on page 3. He says:

Therefore, we conclude that from the point of view of our national security we must do everything possible to assist the growth in economic production of these metals, not only in the United States but equally in friendly foreign countries.

I cannot, of course, speak for 12 other Senators, but we have agreed generally.

In this connection we quote from the report of the Minerals, Materials and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs with respect to the Accessibility of Strategic and Critical Materials to the United States in Time of War and for Our Expanding Economy, Senate Report No. 1627, of the 83d Congress, which I have in my hand here, July 9, 1954.

And he quotes it:

The Western Hemisphere can be defended and will be the only dependable source to the United States of critical war materials in the event of an all-out war * * *.

And I agreed in subcommittee, presented it to the full Senate, and it was published.

He quotes further:

It is imperative to the security of this Nation and to the nations of the Western Hemisphere—

and, of course, the United States is the only Nation that can defend the Western Hemisphere—

that we and they foster the greatest measure of self-sufficiency in the production of such materials and continually study all possible devices that will encourage the expansion of hemispheric production in this vital field. It is vital to our domestic welfare, economy and security that maximum economic production be maintained, first within our own borders and second in the Western Hemisphere * * *.

That is part of my religion. We are a Western Hemisphere Nation, and we can defend it, and we can make it self-sufficient. You do not have to go across a major ocean to get anything for war or peace. We do not have to have anything through the Suez Canal. It is all poppycock.

However, we come back now to what I am talking to you about, which is the economic structure, how to maintain our economic structure, while we are helping you.

Some of us believe—and this same report that he quotes—he did not quite quote all the recommendations. We recommend:

1. The closest cooperation among the nations of the Western Hemisphere which is the only dependable source of necessary critical materials in time of war. This area can be defended, can be made self-sufficient in the production of such materials. We recommend the spirit of the 130-year-old Monroe Doctrine prevail in our relations with the nations of the Western Hemisphere.

2. We recommend that Congress insure that the regulation of foreign trade conform to the principles thus laid down in article I, section 8, of the Constitution, thus assuring American workers and investors equal access to the American markets.

Now, what is that article I, section 8? I have quoted it here before. I will do it very briefly. And that is that it says that the Congress of the United States, not the executive, the President, or 34 competitive nations sitting in Geneva, shall regulate our foreign commerce, our foreign trade.

And what does that mean? It gives you a duty, an excise tax imposed—we call it tariffs—to do the regulating.

So we worked it out. When I say "we," it was this Congress over the period of 145 years. And the last tariff act they passed said specifically that the Tariff Commission, an agent of the Congress, not of this committee, shall determine the cost of producing domestic articles and a like or similar foreign article, determine a difference in that cost, and that takes all the factors and manipulation of their money system, their effective labor cost, their transportation, everything, and comes up with a figure which is the difference, not to give us an advantage over them or them an advantage, but that difference they recommend as the tariff.

That is what this book says.

And I agree with this young man, whoever he is, and I will be looking forward to seeing him here, because I am a Western Hemisphere man. We like to help all other nations. I am talking for myself, nobody else. But you do it like your family. You may own a better house than I have, but you do not sell your house and give $2 to everybody living in the county and they go and buy a drink and they are all broke.

You pay your taxes, you contribute to the Red Cross, you do everything that is necessary that is customary in your community and try to run your business so that you make a profit and take care of your family, give them schooling.

So that is the way you have to treat a nation. Be good to them. Be a good neighbor. Do everything you can for them. But give them equal access to your markets, but no advantage.

You could not agree with that, could you? You look to me like a businessman that would get along any place.

Mr. STEBBINS. Thank you, sir.

Senator MALONE. I wish you had more investments in the United States.

Mr. STEBBINS. We have quite a lot in the United States now.

Senator MALONE. Well, you had better start taking care of them.

Mr. STEBBINS. We have more investments in the United States than we do in Latin America.

Senator MALONE. What are they?

Mr. STEBBINS. Largely an ammonia plant in Memphis and a urea plant and Davison Chemical Co. in Baltimore.

Senator MALONE. You know your chemical business can be run out of business from foreign imports, do you not? If you do not, you had better get looking into it.

Mr. STEBBINS. Yes, sir; it could be.

Senator MALONE. All right. We have had men representing chemical companies crying their eyes out because they do not want to go to foreign countries and make investments. They say, "We can go and build them and we will have to do it under this principle, but give us a chance to stay here and pay American wages."

That is what they say.

So this is a fact, and I say it again. An engineer has a peculiar mind. He has to get his finger on the sore spot. And this is a sore spot. This fight is a fight between the workingmen of America and the small investor—a "small investor" meaning any investor of such a size or such a nature he cannot go to South America or to England or to Asia or Europe and make his investments and ship it back under free trade. Between the small investor and the workingman and the international investor. That is where this fight is. And the quicker the workingmen of America wake up, the better it is going to be for them and for us, because this is America, and if the economic structure of this Nation breaks down they are all in the soup, because we are the only Nation that can protect anybody.

You agree with that; do you not?

Mr. STEBBINS. Yes, sir.

Senator MALONE. That is all, Mr. Chairman.

Senator KERR. I want about two more questions if it is all right with Mr. Stebbins.

Mr. STEBBINS. Yes, sir.

Senator KERR. Talking about our assisting the economies of these other countries, is it not about $20 million a year that we make as a grant to Bolivia? This Government?

Mr. STEBBINS. Is it?

Senator KERR. Is that not about what it is?

Mr. STEBBINS. I think it is, sir.

Senator KERR. And did not the Import-Export Bank just recently make a $100 million loan to some American companies for further development of copper production in Peru?

Mr. STEBBINS. Yes, sir.

Senator KERR. What were those companies?

Mr. STEBBINS. The Cerro de Pasco Copper Corp. and Phelps Dodge and Newmont Mining Co., I believe, and American Smelting & Refining.

Senator KERR. What minerals does Grace & Co. produce in Latin America?

Mr. STEBBINS. Only tungsten.

Senator KERR. Only tungsten?

Mr. STEBBINS. Yes, sir.

Senator KERR. Grace & Co., of course, as is the law, and as it was contemplated—anyone else in the position to do so would do it—takes credit on the tax liability it has to this Government for the amount of taxes it pays to other governments in which it operates?

Mr. STEBBINS. Yes, sir.

Senator KERR. Could you furnish for the committee files a statement of the earnings—it is public information, I know—of Grace & Co. for the last 10 years, and the amount of taxes they have paid foreign governments and the degree to which it has affected their tax liabilities to this Government?

Mr. STEBBINS. Yes. I could not answer that question now.

Senator KERR. I understand, but we would like to have that information for our files.

Mr. STEBBINS. Yes, sir.

Senator KERR. The committee will recess until 10 o'clock in the morning.

(Letter from James H. Stebbins, executive vice president of W. R. Grace & Co., subsequently submitted, clarifying his views on p. 185, follows:)

W. R. GRACE & CO.,
New York, N. Y., July 26, 1957.

Hon. HARRY FLOOD BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I wish to thank you for the courteous and complete hearing which was given to my testimony when I appeared on July 23 before your committee as a witness in opposition to S. 2376.

Upon examining the verbatim report of the hearings and upon reading the testimony of Mr. Vuillequez, who was the next witness, I feel that I should like to supplement my testmony with the following statement:

As I pointed out, I was not appearing as an expert in the mining industry but, rather, as a witness representing that segment of American commerce which deals in the Latin American area. Therefore, I did not appear for the purpose of offering specific suggestions for measures to relieve the present situation in the domestic lead- and zinc-mining industry.

When, in response to a question, I testified that rather than enact S. 2376 I would prefer to "do nothing," I want you to know that I meant my answer, in the light of my general testimony, to mean that I would do nothing about S. 2376—and that, as indicated in the next to the last paragraph of my prepared statement, the problem should be remedied through some other means.

In view of the questions which were asked and in view of the testimony of Mr. Vuillequez, I should like to state that I and the company I represent are entirely in accord with the idea that the situation would best be ameliorated by some form of direct subsidy to mining companies in the United States or by a continuation of the stockpiling program.

This type of direct relief would, no doubt, assist the lead and zinc miners who are now having financial difficulties and, in my opinion, it would not cause damage to the foreign miners or to the United States export markets which would be lost by the imposition of an excise tax.

As a representative of a firm with active business interests both in the United States and in Latin America, my prime concern is to see that we do not cut off our Latin American friends from access to our markets. All commercial experience demonstrates that to take action cutting off their exports to us has a consequence of lessening their imports from us and this, too, diminishes profits and employment in American industry.

For the purpose of giving full meaning to my testimony, I would appreciate it if you would cause this letter to be incorporated as a part of the record.

Very sincerely yours,

JAMES H. STEBBINS.

(Whereupon, at 12:30 p. m., the committee recessed, to reconvene at 10 a. m., Wednesday, July 24, 1957.)

IMPORT TAX ON LEAD AND ZINC

WEDNESDAY, JULY 24, 1957

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman), presiding.

Present: Senators Byrd, Kerr, Anderson, Jenner, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Senator KERR. Mr. Chairman, I would like to say I am happy to have my colleague before the committee giving us a statement on the situation in Oklahoma with reference to the depressed market for lead and zinc. He has been in the forefront of the battle to improve the economic environment of this industry, and I am happy to join with him in the remarks that he makes.

The CHAIRMAN. You may proceed, sir.

STATEMENT OF HON. MIKE MONRONEY, UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

Senator MONRONEY. Thank you, Mr. Chairman. Members of the committee and my senior colleague, I appreciate those remarks on my efforts to help with this problem. It has been a constant problem since the close of the Korean hostilities, to try to get near the cost of production of the lead and zinc mining industry in Oklahoma.

I appreciate your courtesy in allowing me to express my interest in S. 2376.

I believe you already have heard testimony on the disaster facing domestic lead and zinc production from my distinguished colleagues, Senator Watkins, Anderson, Kerr, Mansfield, Bible, and Allott, as well as from independent mine operators, a labor-union representative, and from the lead and zinc industry emergency committee. You know that both the Tariff Commission and the Cabinet Committee on Minerals Policy and the administration have found that a need for action exists.

I hope all of you will agree with me that we must keep our mining industry alive. Even if we should build a stockpile as high as the Washington Monument, we cannot write off our domestic supply of lead and zinc ore. Even though many of our imports come from friendly countries in our hemisphere whose interests we will continue to support when self-destruction is not involved, we cannot let our own mines go down the drain because of ill-balanced competition from even our best friends.

The bill under consideration does not slam the door. It merely raises a barrier in the form of a sliding-scale excise tax geared to the price of pig lead and slab zinc. It is not an insurmountable barrier. It is not high enough, in my opinion.

My own State is vitally interested in lead and zinc production, as you know. Our annual average production of zinc during the years 1925-29 was 227,000 tons, which was more than 30 percent of the total United States mine production. By 1939, the output had declined to 140,000 tons; by 1952 to about 55,000 tons, and last year it was 29,960 tons.

National zinc production has not fallen as fast, but from an average of 611,800 short tons in 1946-50, it has slipped to 537,600 short tons in 1956. In the meantime, the production in the rest of the world is estimated to have risen 94.1 percent. Especially significant is the fact that the ratio of domestic zinc production to imports has been completely turned around. In 1951, imports were only 57.4 percent of domestic zinc production and in 1956 they were 143.4 percent. The lead situation also is reversed. Imports in 1956 exceeded domestic production by 131,000 short tons, almost the same amount.

These figures do not tell half the story of what has happened to domestic mining areas such as those in Oklahoma. I have seen with my own eyes the disasters to some of our communities. Mines close and become water-filled. The timbers in their shafts rot. Whereas we had 319 mines operating in 1949, only 40 operate today. Skilled miners have to leave the State to find part-time work elsewhere, while their families barely exist. Businesses in the towns suffer. Schools languish. Relief rolls grow. One of the successful miners who had survived earlier competition with foreign imports told me this week he has had to shunt down. With zinc at 10 cents a pound, his 200-ton-a-month production not only was not profitable, but would have cost him money.

I urge your favorable consideration of S. 2376. I am not wedded to its method, but at present it seems the only avenue open, with a possibility of handling the current emergency, and I believe in locking the barn before the cow is stolen—in this case, in saving our mining industry before it is waterlogged, and our mining communities before they are ghost towns.

I thank you, Mr. Chairman, for this opportunity.

Senator CARLSON. I appreciate that statement very much, involving the tristate area of Kansas, Oklahoma, and Missouri. The condition which Senator Monroney described, very accurately, affects us very seriously in southeast Kansas. As a matter of fact, last year southeast Kansas was listed as class 4 by the Labor Department as an unemployment area, largely as a result of closing the lead- and zinc-mine operations in that section. So I appreciate the Senator's statement, and I assure him I will be glad to work with him, as we have been working together, and I know of the fine work he has been doing on behalf of this area.

Senator MONRONEY. I know the interest of the senior Senator from Kansas in this matter, because the whole tristate area is almost a unit, and when the domestic price of lead and zinc reflects just a slight margin above the actual cost of production, you find that whole community booming, self-sustaining, thriving. But when it goes down a fraction of a cent, almost, below the cost of production, these marginal mines shut down first; the bigger mines shut down, the unemployment climbs, the relief rolls pile up, and the miners drift away to seek part-time employment in other Sttaes, leave their families there, the schools become rundown, the communities default on their taxes, and it just brings about a serious depression, then, in that localized area.

I think the least we could do would be to try, through adjustment of the excise tax, to help to maintain around a 14- or 15-cent price on zinc, and around 17 cents on lead, so we can keep our extractive industries going, not allow them to disappear, because sooner or later we will regret it if we become overly dependent on foreign sources, no matter whether they are on this side of the world or on the other side. We always must have some sources here that we can depend on to protect our own bargaining power and market prices. Without them, we would be at the mercy of foreign importers.

Senator CARLSON. Mr. Chairman, if I may say this, the 10-cent price on zinc is disastrous, as has been proven in this area.

Senator MONRONEY. You cannot operate on 10 cents; even the largest mines cannot.

The CHAIRMAN. Any further questions?

Senator MALONE. Yes. I appreciate very much the statement that you have made here. And the thing that really tears me down is the spectacle of a United States Senator pleading to prevent a world tribunal in Geneva from destroying a legitimate business in his State—when the Constitution specifically delegates this power to the Congress, of which he is a Member, to preserve it.

However, since the Congress did transfer its constitutional responsibility to do this job to the President, with authority to transfer it to Geneva, Switzerland, where it now resides, and that 34 foreign, competitive nations, are regulating our foreign trade and national economy, under the General Agreement on Tariff and Trade—it is time for Congress to regain its own responsibility in this field.

All you are trying to do, Senator Monroney, is to keep the industry operating on the American standard-of-living wages. What you have said is that you need either a duty or a tariff or an excise tax, or a fixed price, that would make up that difference in the labor cost and the cost of doing business in this Nation and the chief competing country so your people could stay in business.

Senator MONRONEY. Keep these mines operating and keep our domestic supply and maintain the employment of American miners in their chosen field.

Senator MALONE. You understand the reason I am asking this—because you and I work together on the floor, but the record is going to be read by a good many people, and they should understand the principle upon which you are working. I judge that you would not consider it a subsidy to the mining industry of Oklahoma, or the United States, if the excise tax or duty or a fixed price only equaled the difference in the labor cost and the cost of doing business here and in the chief competing country on lead and zinc, would you?

Senator MONRONEY. I do not consider it a subsidy at all. As a matter of fact, this bill before you proposes to repeal all of the tax when the price is 17 cents a pound on lead. So it would help to increase and improve the imports at the time when the price in this country is at the break-even point. Certainly it could not be a subsidy to try and protect the domestic industry to the extent that lower prices end to require a higher excise tax than when it is at the cost of production.

Senator MALONE. I fully agree with you in your objective. But newspaper dispatches over the 24 years have generally supported this free trade. Every nation to have equal access is concerned as to our markets, regardless of their wage standards of living. It is our markets they are after. They call a subsidy such an equalizer of wages. Naturally, 90 percent of our people do not have time to study—they are working hard to make a living—so they just do not understand that the effect is to put the cheap labor of the world in direct competition with American labor. The people who call such an equalizer of wages a subsidy is really saying that he is for those lower wages and would like to reduce our own wage standard of living.

Of course, such an equalizer is not a subsidy. Now, if you had to have such a tariff or fixed price above the difference in wages and cost of doing business here and in a chief competing country to preserve an industry, then that would be a special consideration and might be called a subsidy. You would agree with that?

Senator MONRONEY. Yes.

Senator MALONE. But it is not necessary to do that, of course.

Now, they talk about marginal mines. That was a slogan widely used by the freetraders and economic one-worlders—that, of course, the marginal mines or the marginal industries in this country might be closed down.

It would not be a marginal industry or a marginal mine, would it, if all that industry needed was the difference in the wages and the cost of doing business here and the chief competing country? That would not be called a marginal mine, would it?

Senator MONRONEY. Any mine will be marginal if the price gets low enough on the product.

Senator MALONE. It is marginal in comparison to $2 labor or 50-cent-a-day labor as compared to our $17-a-day labor or whatever it is in Oklahoma—that is about what it is in Nevada and Utah—it would be marginal compared to the $2 labor; would it not?

Senator MONRONEY. That is right. But isn't this one of the things that we have to deal with. The $2 labor was not so desperately destructive as long as they used crude machinery to mine the products of their countries. But, with the advances of foreign aid and all, which I have supported to a large degree, they have now been able to mechanize their mines and use their low-priced labor to the point where they do get a far more efficient production at the low cost.

Senator MALONE. Of course they do. American investors take the American machinery with them. Now, some college professors and a number of theorists make statements that, with our up-to-date machinery and our know-how, we can compete with anybody with the low-cost labor. As a matter of fact, I took occasion to visit every nation in the world. I thought I had to see all of our star boarders. And I just finished the job with 2½ months behind the so-called Iron Curtain.

Now, it is not a fact that with American investors going into these countries, as they are under the free-trade agreement—and I do not blame the American investors, I only blame the Congress for making it profitable—with the American investors going into the foreign countries, what kind of machinery do they take with them, and know-how?

Senator MONRONEY. The very best we have.

Senator MALONE. In other words, the last plant built, if it is a lead smelter or a lead-mine operation—the last mine opened up by an American investor has the latest facilities and is the best, or else his engineers have not done their work; isn't that right?

Senator MONRONEY. Yes.

Senator MALONE. In Chile, northern Chile, they now have the best copper smelter in the world, because it is the last one built. We have some good ones in this country, but they are getting older.

Well, one more question. And all this is just to clarify the record, because I know you understand it, and I think I do.

We have been taught now for 24 years that, not only a fixed price but any excise tax or a duty that we normally call a tariff to equalize the American and foreign wages is a barrier. Now, a barrier you immediately visualize as something built up like a dam to keep the water back or to keep something out of this country.

While a duty or a tariff or an excise tax just to equalize the difference in the wage standard of living and the cost of doing business here and in the chief competing nation, giving them equal access to our markets, but no advantage over the American producers, could not logically be called a barrier, could it?

Senator MONRONEY. I do not see how it could—particularly the proposal that is made here, since you relieve them of any import duty if the price is equal to our cost of production.

Senator MALONE. As I have previously stated, I do not think this plan will work because it is unwieldy and is not flexible enough, but I will tell you why I am for it. You have to adopt a principal, return to the Constitution, so that American money will be invested in American industries once again. But you and I can discuss that at some future time. But the reason I am for it is because the Secretary of the Interior is the first man that has been able to break through the "sound barrier" at the White House and get an admission that you have to have either an excise tax or a tariff or a duty or a fixed price to equalize American wages and taxes with the lower foreign wages to keep American industry alive. And it is not confined to lead and zinc; is it?

Senator MONRONEY. Isn't this the only alternative to a direct subsidy, if you intend to keep domestic production?

Senator MALONE. The principle; yes.

Senator MONRONEY. In other words, if you do not allow the excise tax to be applied, then the only other step would be a direct subsidy to maintain a price support under zinc and lead.

Senator MALONE. Of course. But the real solution of it is just to sit still next year and let the 1934 Trade Agreement Act expire in June of 1958. Let Congress regain its constitutional responsibility to regulate foreign trade and the national economy. The Tariff Commission, an agent of Congress, would then determine the amount of the flexible tariff or excise tax equalizer. You understand what your trouble is—and I think you have made a good statement.

Senator MONRONEY. Thank you, Senator.

The CHAIRMAN. Thank you very much, Senator. We appreciate your coming.

Now, the next witness is Mr. Vuillequez. He is from the American Metal Co.

STATEMENT OF JEAN VUILLEQUEZ, VICE PRESIDENT IN CHARGE OF SALES AND DIRECTOR OF THE AMERICAN METAL CO.

Mr. VUILLEQUEZ. Mr. Chairman and members of the committee, I want to thank you first of all for the opportunity to appear here and give our company's views.

My name is Jean Vuillequez. I am vice president in charge of sales and a director of the American Metal Co., Ltd. The American Metal Co., Ltd., operates a copper smelter and refinery at Carteret, N. J.; a zinc smelter at Blackwell, Okla.; a potash mine in New Mexico, and has important interests in two copper-mining properties in the United States, and we also have an important interest in a molybdenum company. It also owns and operates copper-lead-zinc-silver mines in Mexico and Canada, has a lead smelter and refinery in Mexico, and holds important interests in copper mines in Rhodesia and South Africa, and in a copper-lead-zinc mine in South West Africa.

Senator ANDERSON. Mr. Vuillequez, in order ta identify your interest in this situation for the rest of your paper, you said you had a zinc smelter in the United States at Blackwell.

Mr. VUILLEQUEZ. At Blackwell, Okla., sir.

Senator ANDERSON. Senator Monroney was just describing the plight of the miners in that area. Do you operate there on ore from the Tri-State area, or largely on Mexican concentrates?

Mr. VUILLEQUEZ. I was going to ask permission of the chairman and this committee to file a brief of the Blackwell Zinc Co., which is our subsidiary—and in direct answer to your question, it operates entirely on foreign ores. We have been unable to find any concentrates in this country.

(Statement of the Blackwell Zinc Co. appears on p. 76.)

Senator ANDERSON. Well, you are pretty close to the Tri-State area; are you not?

Mr. VUILLEQUEZ. We have not been able to purchase concentrates. We would like to very much.

Senator ANDERSON. Now, then, you are also brokers in this country for Canadian ores and Peruvian ores and South African ores?

Mr. VUILLEQUEZ. We are sales agents for Cerro de Pasco Copper Corp., which operates in Peru. We are sales agents for the lead and zinc sold by Consolidated Mining & Smelting in the United States market.

Senator ANDERSON. You know the difference between a sales agent and a broker. I thought that it was somewhat synonymous in this situation. Now, as sellers, you do not have much interest in the price of zinc that the miner gets.

Mr. VUILLEQUEZ. On the contrary, sir—because of our mining interests in Mexico and in Canada, and because we have large financial interests in mining companies, we have quite an interest in the price of the metal itself.

Senator ANDERSON. Well, on May 6, when the first price break was announced, I believe, by International Minerals & Metals, they cut the price a penny. That same afternoon you cut it an extra half-cent; did you not?

Mr. VUILLEQUEZ. I think that is correct sir, yes.

Senator ANDERSON. On May 13 you cut it another half-a-cent; did you not?

Mr. VUILLEQUEZ. I don't remember whether the date is correct, but the figure, I think, is correct.

Senator ANDERSON. But you were the leader in that—American Metals was the leader.

Mr. VUILLEQUEZ. Yes, sir, we have been.

Senator ANDERSON. And on June 6 American Metals was the leader in cutting it again to 11 cents.

Mr. VUILLEQUEZ. I think that is correct.

Senator ANDERSON. And on June 19 it cut it again, and was the leader in that.

Mr. VUILLEQUEZ. I think we are the last ones to have cut it to 10 cents.

Senator ANDERSON. And on July 1 you cut it to 10 cents.

Mr. VUILLEQUEZ. That is correct.

Senator ANDERSON. I am just trying to establish the fact that your statement has to be read in the light that you have been the bellwether in cutting the price of zinc here in the United States with great regularity.

Mr. VUILLEQUEZ. Yes, sir. And I think in my prepared statement you will see that we take the view there is an overproduction of zinc and lead in the United States and the world, and particularly abroad.

Senator MALONE. In the United States?

Mr. VUILLEQUEZ. And the world.

Senator MALONE. In the United States?

Mr. VUILLEQUEZ. Yes; we think there is an overproduction of both metals.

Senator MALONE. In the United States? How do you work that out—an overproduction in the United States?

Mr. VUILLEQUEZ. No—that the available supplies are greater than the demand.

Senator MALONE. That the supplies produced in the United States are greater than the demand?

Mr. VUILLEQUEZ. Not produced in the United States, no, sir. We are deficient in——

Senator MALONE. Well, aren't textiles overproduced if you include the whole world and only our market? We are the market, are we not?

Mr. VUILLEQUEZ. Yes, sir; we are the market. But we also, for our manufacturers, and for agricultural products, have markets abroad.

Senator MALONE. We do? You mean we must buy everything, all of the surplus abroad, since there is an overproduction in Japan or Scotland or some other nation—that it is an overproduction for the United States—and that we are responsible?

Mr. VUILLEQUEZ. Sir, I think that——

Senator CARLSON. If you are a one-worlder, yes.

Senator MALONE. Where are you from?

Mr. VUILLEQUEZ. How do you mean that, Senator?

Senator MALONE. Where do you come from?

Mr. VUILLEQUEZ. I was born in New York City and I live in Connecticut.

Senator MALONE. That is fine—some say that Connecticut is the bedroom for New York City. Where are your interests now?

Mr. VUILLEQUEZ. Our interests are both here and abroad.

Senator CARLSON. One worlder.

Senator MALONE. One-worlder.

Mr. VUILLEQUEZ. No, sir; I do not think that is correct.

Senator MALONE. Words do not mean much. I do not understand your statement that there is an overproduction of zinc, or textiles, in the United States of America because there is an oversupply in the remainder of the world. I do not understand you.

Mr. VUILLEQUEZ. I would like to say that any material, in my view, which is available in excess of the demand is overproduced.

Senator MALONE. There are many products overproduced in certain areas of the world that are not overproduced here. But when a commodity is produced commercially here we still want to support our wage-living standard.

Our living standard of wages is probably 3 or 4 times what it is where you are getting your raw material. What you are saying is that you do not want tariff, or duty, or excise tax, that equalizes the wages here and the source of your raw material. You are, in effect, saying that the United States is responsible for any overproduction in the world.

Mr. VUILLEQUEZ. No, sir; we do not take that view.

Senator MALONE. What view do you take?

Mr. VUILLEQUEZ. We take the view that we are deficient in supplies of lead and zinc.

Senator MALONE. You are what?

Mr. VUILLEQUEZ. We are deficient—this country is deficient in supplies of lead and zinc.

Senator MALONE. Why do you suppose it is deficient?

Mr. VUILLEQUEZ. We agree with you, Senator, that something should be done. The difference between you and us is purely one of method, not one of the objective.

Senator MALONE. Let us get at this business of the production in the United States being deficient. It has been cut in two due to free trade, the United States following your free trade ideas since 1934, has it not?

Mr. VUILLEQUEZ. Well, of course we have got an import duty in existence on both lead and zinc.

Senator MALONE. The import duty on practically all American produced materials has been reduced below the difference in wages and the cost of doing business here and in a chief competing country on each of such products. When the duty or tariff is below that difference you must then reduce the wages here and your cost of doing business to meet it, or go out of business.

Mr. VUILLEQUEZ. Well, Senator, I think that it is a question of philosophy.

Senator MALONE. That is what I am trying to get from you.

Mr. VUILLEQUEZ. Yes. The countries that are underdeveloped and which produce large quantities of raw materials——

Senator MALONE. Would you like to see some underdeveloped country in this Nation?

Mr. VUILLEQUEZ. I know there are some, Senator, but I wanted to answer your question directly.

Senator MALONE. There are about 2 billion acres of it.

Mr. VUILLEQUEZ. I realize that.

Senator MALONE. Well, then, let us talk about American underdeveloped country, and talk about our wages and our cost of doing business here, paying taxes in this country. Go ahead—but just do not make one of these statements and expect me to like it—that there is an overproduction in the United States when there is overproduction in the world.

Senator ANDERSON. I wonder if Senator from Nevada would let me finish my question.

Senator MALONE. I am sorry to have interrupted you.

Senator ANDERSON. I am glad you did. But you understand there is an amendment pending on the floor in which I am interested and I must be there.

A while ago you said that you had this custom smelter in Oklahoma.

Mr. VUILLEQUEZ. Yes.

Senator ANDERSON. And that you supplied it exclusively with Mexican ore.

Mr. VUILLEQUEZ. Practically exclusively.

Senator ANDERSON. The Senator from Kansas and the Senator from Oklahoma, who was testifying earlier, and, I am sure, the senior Senator from Oklahoma, are very much interested in that tri-State district, as many of us are. It is a good area. Did I understand you to say that you are not able to find any ore in that area?

Mr. VUILLEQUEZ. The Blackwell Zinc Co., Senator, was originally built in order to utilize the Joplin ores. As the production in the Joplin area was reduced, we were forced to look abroad for concentrates. Our company invested fairly substantial quantities of money in certain Mexican mines in order to assure Blackwell of a supply of ore. We have not been able, since the late thirties, to purchase anywhere near adequate supplies of domestic concentrate.

Senator ANDERSON. Well, now, if these other mines are having to close down—and I understand that they won't sell one to you—have you asked these people to sell you or in the tri-State area?

Mr. VUILLEQUEZ. We have tried. I think you will find that most of those companies have got special arangements.

Senator ANDERSON. I do not know who operates there. I think Eagle-Pitcher, St. Joe Lead & Zinc. Have you tried to buy from them?

Mr. VUILLEQUEZ. We certainly have. And we have been unsuccessful. We used to get some domestic materials from American Smelting & Refining, but they took that away from us.

Senator ANDERSON. Are they processing that ore now, that they took away from you?

Mr. VUILLEQUEZ. American Smelting—yes, I think they are, at Corpus Christi.

Senator ANDERSON. They are closing down properties in New Mexico.

Mr. VUILLEQUEZ. In Mexico; yes.

Senator ANDERSON. In New Mexico.

Mr. VUILLEQUEZ. In New Mexico also, yes.

Senator ANDERSON. And I——

Mr. VUILLEQUEZ. I think, Senator, the answer is that the smelter production in this country is so substantially in excess of the production of concentrates here.

Senator ANDERSON. Well, you understand, I am not a mining engineer. I just do not understand how a refinery, located right in the middle of the Tri-State district, that the Senator from Kansas and the Senator from Oklahoma agreed was in trouble, and people were being laid off because the mines were closing down, continues to operate on Mexican ore and says, "We cannot find any ore from this area," an area where American citizens may have to go on relief. That to me is not the last word in human wisdom.

Mr. VUILLEQUEZ. I think that practically every smelter in the United States, every single smelter operates at least in part on foreign concentrates. We used to have a mine in New Mexico called the Pecos Mine.

Senator ANDERSON. I know it very well. I remember when it was abandoned.

Mr. VUILLEQUEZ. Unfortunately it was mined out.

Senator ANDERSON. Right now it would be a very attractive piece of property.

Mr. VUILLEQUEZ. Very much.

Senator ANDERSON. But I am familiar with the fact they get mined out. I am only trying to say here are mines in the tristate district that are not mined out, where miners are anxious to find employment, where you have a refinery sitting there, operating on Mexican ore, and the American workman has to go out hunting for some sort of relief or a new job. Does that make sense to you?

Mr. VUILLEQUEZ. Well, it makes sense that we have not been able to buy any, Senator, that we have had to go abroad for our supplies. And we are not the only one, as I mentioned before.

Senator ANDERSON. All the time you have kept cutting the price of zinc, while you are not able to buy any.

Mr. VUILLEQUEZ. That, sir, is a question of market philosophy, on which there could be differences of opinion. It is our view that when a metal is oversupplied, the only way to correct that situation marketwise is to put the price down.

Senator ANDERSON. Do you feel the same way about potash?

Mr. VUILLEQUEZ. I think we may have to do the same thing, Senator. Competition from various places is getting very strong.

Senator ANDERSON. We have a potash mine in my State. Do you believe a tariff should not be established there?

Mr. VUILLEQUEZ. I do not think the potash industry can justify a tariff at the present time, sir.

Senator ANDERSON. I thought your firm was one of the group that thought we might have a tariff on potash.

Mr. VUILLEQUEZ. No; I think our company is one of the firms discussing the question of antidumping, which is quite a different thing.

because there is involved the question of East German imports, whereas in the case of lead and zinc, it is purely a Western Hemisphere problem, in my opinion.

Senator ANDERSON. Are you in favor of antidumping against Mexican lead and zinc?

Mr. VUILLEQUEZ. If any dumping exists, sir, I would be in favor of it.

Senator ANDERSON. Well, it is coming in at a lower price than we can afford to produce it—isn't that almost dumping?

Mr. VUILLEQUEZ. My understanding of the antidumping laws is that there has been no dumping of lead and zinc in the United States.

Senator ANDERSON. They just close down the mines.

Mr. VUILLEQUEZ. And not only in the United States, sir. Also in Mexico, Canada, Peru, Australia, all of those mines are reducing production and will reduce further because the price is too low.

Senator ANDERSON. Are your Mexican mines closed down?

Mr. VUILLEQUEZ. We will not be able to close them down, because the Mexican Government probably would not allow us to. But what we will do is stockpile the material in Mexico——

Senator ANDERSON. You have Senator Malone really laughing now, because he realizes the Mexican Government won't let you close down, but the American mines will have to close down.

Mr. VUILLEQUEZ. We will take the material off the market, sir.

Senator ANDERSON. Which market?

Mr. VUILLEQUEZ. Any market, including the United States market.

Senator ANDERSON. I am not going to try to restrain my friend from Nevada. I will let him go ahead.

Senator MALONE. Let him read his statement.

Senator BENNETT. How about the Senator from Utah—can I make one observation? You stockpile that ore. How much assurance will we have that when the price goes up some of it won't come into the market to keep the price down? In other words, you are not disposing of that ore. You are simply holding it for a better price. And then it will come in and way over the market.

Mr. VUILLEQUEZ. That is the only way that some of the zinc producers and also lead have been able to in some countries continue some of their men operating. And of course we could not stockpile that ore very long, because there is a limit to our financial resources. We stockpile some.

Senator BENNETT. Maybe this is the wrong bill. Maybe we should adopt the Mexican procedure and pass a bill forbidding American mines from closing down. Then what would you do?

Mr. VUILLEQUEZ. I do not say that the Mexican Government would forbid us. But the procedure in Mexico is that before you can shut down, you have to ask the permission of the Government, and that is a very slow and devious process. I am not recommending the methods of Mexico.

Senator MALONE. You are riding for that in this country with your policy.

Senator BENNETT. Excuse me, Mr. Chairman. I think the witness should go forward with his statement.

Senator KERR. I just want to ask one question here. You say that you are going to have to stockpile the production at your Mexican mine.

Mr. VUILLEQUEZ. I'm afraid we will have to, because the price is too low—zinc in particular.

Senator KERR. Does that mean, then, you would enter the market and buy domestic production?

Mr. VUILLEQUEZ. I don't know where we would find them, Senator.

Senator KERR. I wonder if you would authorize me to make an offer to the mines in the tristate area that are now closed down, backed up with your agreement, that if they would sell you concentrates, that you would become a market for them.

Mr. VUILLEQUEZ. I would be very delighted to authorize that, sir.

Senator KERR. Would you put that in writing?

Mr. VUILLEQUEZ. I would be very glad to.

Senator KERR. And on the basis that would thereby procure your requirements for concentrates from the tristate area?

Mr. VUILLEQUEZ. I would be very delighted, indeed, if we could get some from the tristate area.

Senator KERR. Then I will be awaiting evidence of——

Mr. VUILLEQUEZ. I will write you so, sir.

Senator KERR. Don't write me. Write to the producers and let me deliver it to them.

Mr. VUILLEQUEZ. All right.

Senator KERR. I think it might work out where you won't have to be the victim of the whims of the Mexican Government.

Mr. VUILLEQUEZ. We would very much appreciate it if that could come about.

Senator BENNETT. The Senator from Utah cannot keep out of this. If the Senator from Oklahoma is able to make satisfactory arrangements to provide American ore at equal to the effective capacity of the Blackwell Smelter, and the Mexican Government won't let them close down in Mexico, I can see a lot of fun ahead for Mr. Vuillequez.

Mr. VUILLEQUEZ. I am willing to take that chance, Senator, if we can get American zinc concentrates.

Senator MALONE. I think Mr. Vuillequez is having fun now, and he has been having it for a long time. It is a question of whether Congress lets him continue to have fun at the expense of our own workingmen and investors.

Senator KERR. Well, I must say that he could get himself in the position where that might be the only solace available to him—fun.

Senator MALONE. You see, his company has reduced the price so the Mexican mine had to close down but the Government won't let him close it down, so he is going to keep it going—stockpiling the material until the price goes up and bring into the United States at a price that will keep our mines closed.

Senator KERR. He is going to write a letter, a valid offer, to the tristate area operators, to buy their output at the market, and I am of the opinion——

Senator MALONE. At his market.

Senator KERR. Oh, no. I am of the opinion that Congress is going to fix it so that market will be a profitable one for the operator.

Senator MALONE. Well, you will disappoint him greatly, I think, and his New York stockholders who have been profiting at the expense of the American workingmen and investors.

Mr. VUILLEQUEZ. On the contrary, Senator Malone, we would be very delighted if such a thing could be accompanished.

Senator MALONE. What objection do you have to the provisions of the Constitution of the United States—letting the Congress, as it directs, adjust the tariff through the Tariff Commission, an agent of Congress, the difference in the wages and the cost of doing business here and in the chief competing country on zinc and lead? You would then continue to operate according to the Constitution at a profit by buying the local ore, because the price would be equalized.

You take the profit out of that cheap labor you are using in Mexico now right at the boundary. So what objection would you have to that?

Mr. VUILLEQUEZ. Well, Senator, again I think it is a question of philosophy. It seems to me——

Senator MALONE. Explain your philosophy.

Mr. VUILLEQUEZ. May I state it?

Senator MALONE. Go ahead.

Mr. VUILLEQUEZ. The countries which have this cheap labor that has been referred to in these hearings——

Senator MALONE. And we want to help that labor.

Mr. VUILLEQUEZ. Yes. And which also have the raw materials, which we need, at least in part——

Senator MALONE. Do we?

Mr. VUILLEQUEZ. I think we do, yes.

Senator MALONE. We would soon find out whether we did or not if you evened that labor cost at the boundary with a flexible duty I am sure that the domestic output would materially increase.

Mr. VUILLEQUEZ. Well, it is possible. But that would depend on the consumer.

Senator MALONE. Then you would buy the foreign ore at the same price if it be needed, because you are not putting a high tariff on it to keep it out—it merely comes in at a fair and reasonable comparative price.

Mr. VUILLEQUEZ. Quite apart from the difficulties of——

Senator MALONE. There are no difficulties—no practical difficulties.

Mr. VUILLEQUEZ. May I give my personal philosophy, sir?

Senator MALONE. Yes; I have been requesting you to explain it. You have mentioned that you had one 7 or 8 times.

Mr. VUILLEQUEZ. I think that the chief resources of these countries are their raw materials and their cheap labor. If you take away from them one of the chief advantages they have, that is, cheap labor, I do not think they would be able to compete. Secondly, I think if we are deficient in those raw materials—since you question that we may be—if our manufacturing industries need those raw materials, they should have access to the cheapest raw materials, because where we really need protection against cheap labor, in my opinion, is for manufactured goods that we export and also sell in this country.

Senator MALONE. That is right. We priced ourselves out of the market through inflation. You are getting close now. But I have news for you. The record shows over a period of many years that whenever imports from cheap labor throw our industries out of gear, when they are out of business, then the foreign producers takes what the market will bear. That is the historical records of all transactions of these materials.

And now the record will be much clearer because this is American money, most of it, going into these operations now. And they sit around a table in New York, where they can see the foreign nations much easier than they can those little States west of the Hudson River.

With the free-trade policy—and I have said all this before—you have traded the producers of this Nation for a bunch of waterfront brokers who get an override of 40 percent either way it goes through the port.

You can make money by using the cheap labor with American money. We know that and do not blame you for doing it, because it is the Congress that is to blame for making it profitable. But I am asking you how your investment would be hurt if the difference between the labor costs there and here, and the cost of doing business, paying taxes here instead of paying it in Mexico, where you are now paying it—if that difference was made up at the boundary, and no greater or less tariff or excise tax to do that thus establishing fair and reasonable competition.

Where are you hurt? Then you take the customer. The customer does not benefit, since when the domestic industry goes down, the foreign price goes up to what the traffic will bear. You should know that. You do know it.

Mr. Vuillequez. Well, Senator, I think my prepared statement will show——

Senator Malone. Go ahead and read your prepared statement. I understand your philosophy now.

Mr. Vuillequez. Thank you.

Senator Kerr. I want to ask you one question. What is the average wage that you paid in your mines for labor in Mexico?

Mr. Vuillequez. In Mexico?

Senator Kerr. Yes, sir.

Mr. Vuillequez. I do not have that figure with me, Senator. I will be glad to send it to you.

Senator Malone. Well, estimate it.

Mr. Vuillequez. But as you know, the wage rate itself is not the whole answer.

Senator Kerr. But there would be no reason why I should not have that answer.

Mr. Vuillequez. I will be very glad to send it to you.

(See p. 275.)

Senator Kerr. You mean you do not know?

Mr. Vuillequez. I do not know what our present wage rate is.

Senator Kerr. Do you remember what it was last month or last year, or the last time you remember it?

Mr. Vuillequez. I would hate to guess, sir.

Senator Kerr. Well, I would hate for you to do so.

Mr. Vuillequez. It is substantially lower than it is here, of course, very substantially.

Senator Kerr. Is it a dollar a day, $2 a day?

Mr. Vuillequez. I hesitate to give a figure of which I am not sure. I would be very happy to make today's figure known to this committee by a later report.

Senator Kerr. Then give the committee an accurate record of what your wage scale to Mexican mine labor is now and has been for the last 10 years. I believe that Mr. Albert Pezzati, secretary-treasurer of the International Union of Mine, Mill, and Smelter Workers, has given the committee the information that in 1955 a driller in the mine labor market in Mexico got $1.38 a day.

Mr. VUILLEQUEZ. I have no reason to question that information, sir. But I think I should add that, as is well known, the wage rate by itself is only a small item of the cost. And that, as I say in my prepared statement——

Senator KERR. What are the other items of cost that you do not have here?

Mr. VUILLEQUEZ. There are, for example, particularly in Mexico, taxes which are substantially higher than here—not income taxes, sir, but production and export tax on the value of the material.

Senator KERR. Well, now, what does that amount to?

Mr. VUILLEQUEZ. Well, it amounts to enough so that the costs that we have in Mexico are higher than the costs that exist in most of the mines in the United States.

Senator KERR. Would you give the committee the details of the costs?

Mr. VUILLEQUEZ. I will be very happy to, sir.

(See p. 275.)

Senator KERR. You do not know what that export tax is?

Mr. VUILLEQUEZ. Well, there are two taxes—production taxes and export taxes. The export tax is 28 percent of the value, based on the New York price. The production tax, I think, is in the order of 14, 15 percent. I will be very happy to make the exact figures known to this committee.

(See p. 275.)

Senator KERR. Fifteen percent of what?

Mr. VUILLEQUEZ. Of the value.

Senator KERR. Of the value in New York?

Mr. VUILLEQUEZ. It is based on New York prices, yes; less certain deductions covering import duty, transportation charges, and so forth.

Senator KERR. Well, now, haven't there been times when you were able to persuade the Mexican Government to waive that export tax? Or a part of it?

Mr. VUILLEQUEZ. Well, what happened to the Mexican Government's export tax is that in 1950, I think it was—I am not sure of the date, sir; I would have to verify that—the Mexican Government devalued its currency by 50 percent. In order to prevent the mining companies from benefiting by the devaluation of the currency, they doubled the export tax from 14 to 28 percent.

Senator KERR. But is it not a fact that if that is the difference in your operating or not operating, the matter of waiving of that export tax is one that is open to discussion or negotiation?

Mr. VUILLEQUEZ. Oh, yes, there are—they call them subsidies in Mexico. We take the view that they are purely partial remissions of onerous, excessive taxes.

Senator KERR. But it has the same effect.

Mr. VUILLEQUEZ. The same effect as what, sir?

Senator KERR. As though the export tax were reduced.

Mr. VUILLEQUEZ. Of course. You have to go to the Government and horsetrade with them as to how much of that export tax you may be able to have reduced or how much of the production tax.

Senator KERR. And you are in the process of that kind of negotiation much of the time.

Mr. VUILLEQUEZ. We are always in a horsetrading position with the Mexican Government; yes, sir.

Senator KERR. And operation.

Mr. VUILLEQUEZ. Yes, sir.

Senator KERR. With varying degrees of success.

Mr. VUILLEQUEZ. Varying degrees of success, yes.

Senator KERR. Now, then, whatever tax you wind up paying them, you show as a tax charge and get credit for it when you come around to the point of paying income taxes to this Government, do you not?

Mr. VUILLEQUEZ. No; not export taxes or production taxes. There is no credit against United States Government taxes. There is only credit for the ——

Senator KERR. What taxes do you pay down there that do provide the base for credit here?

Mr. VUILLEQUEZ. The Mexican Government income tax, which is in the order of 35 to 36 percent, in addition to these export taxes and production taxes.

Senator KERR. As a result of that, how much income taxes does your company pay to the United States internal revenue department on your Mexican operation?

Mr. VUILLEQUEZ. Well, if we make a profit—and that is an "if"; right now we are not making a profit—the income tax in Mexico would be 36 percent, the income tax here would be 52, so, therefore, we would be paying 16 percent to the United States Government. We would get credit for the income tax paid to the Mexican Government against the United States Government 52-percent tax.

Senator KERR. How much taxes has your company paid to the United States Government on your profit in Mexico, mining profit?

Mr. VUILLEQUEZ. I do not know the figure, but again I would be glad to make it available to this committee.

Senator KERR. We would appreciate your doing that.

(See letter, p. 275.)

Senator MALONE. Are you finished, Senator?

Senator KERR. I wouldn't say that I have finished.

Senator MALONE. Temporarily?

Senator KERR. I have stopped for the moment.

Senator MALONE. You are continually talking about helping foreign nations. What do they do in Mexico in the matter of imports of goods which they themselves produced?

Mr. VUILLEQUEZ. They have import duties or excise taxes on the imports. But I would like to point out there, Senator, that one of the very purposes of our Government in joining an organization with which I believe you are at odds, the GATT, was to try to reduce those taxes on a worldwide basis.

Senator MALONE. I must say you are right in the conclusion that I am against 34 foreign nations in Geneva regulating our foreign trade and national economy. You are for it, I presume.

Mr. VUILLEQUEZ. On a selective basis—not 100 percent, Senator.

Senator MALONE. Well, do you have anything to do with what they select in Geneva?

Mr. VUILLEQUEZ. No, nothing. I know a little bit about what has been done in the past, but not enough to testify on it.

Senator MALONE. You don't know very much about it, because nobody else does outside of the organization—and they only publish the results of their multilateral trade agreements after they are signed and effective. They do not allow our businessmen to listen in or anyone who will tell the businessmen of America what is going on. You know that; do you not?

Mr. VUILLEQUEZ. I do not know that, no. I understood that there were teams that do the negotiating, and some of them include businessmen. But I do not know the facts.

Senator MALONE. They are European teams, yes, but no American teams that get inside.

Mr. VUILLEQUEZ. I see.

Senator MALONE. Now, let me read you a description of the tariff and import policy of Mexico. This is from Senate Document 83, published in July 1955, under Senate Resolution 271. It is on page 211, "Foreign Exchange Control":

> Although import licensing is in force with respect to some 800 classifications of the import tariff, importers may purchase exchange freely in the open market. Certain Mexican imports are also subject to licensing control. The import controls and higher duties permit protection of foreign exchange supply. The export controls are imposed on certain items such as foodstuffs and raw materials essential to the Mexican economy. They are also applied on occasion to encourage domestic processing and manufacturing.

The Mexican Government has full control of its own trade policies, which is right and proper.

Now the American market being the only market that can absorb any degree of consumption, then this is a market all foreign nations are after—wouldn't you agree to that?

Mr. VUILLEQUEZ. I don't think it is the only market, Senator. The European market is a very important one—in fact, more important than the United States market in tonnage.

Senator MALONE. But you cannot manufacture or produce anything here and send it to Europe after they have established an operating, manufacturing, or producing unit there, because they not only can do it cheaper but they make it practically impossible to import American goods with taxes and tariffs—and import and exchange permits. I mean you should know that.

Mr. VUILLEQUEZ. You are speaking of manufactured products?

Senator MALONE. I am speaking of anything. Once they are in the business of producing any product they do not allow it to be imported. Now, if you want to argue that, we will divert to it a minute.

Mr. VUILLEQUEZ. No; I do not want to argue that question at all.

Senator MALONE. I know about it because I not only have been in each one of these nations and examined these industries but we have done extended research and written a report in our committee about it, and it is a factual report. If you can find anything wrong with it, we are the first ones who want to know it.

Do you know what it costs to get an automobile into England, for example?

Mr. VUILLEQUEZ. Impossible. You cannot buy it.

Senator MALONE. Oh, yes; you can.

Mr. VUILLEQUEZ. It is too expensive I mean.

Senator MALONE. Now you are getting down to business.

Mr. VUILLEQUEZ. Yes.

Senator MALONE. It costs 55 percent of the cost of the car.

Mr. VUILLEQUEZ. Yes.

Senator MALONE. Thirty-five percent of it is taxes, and twenty percent of it is tariff. We charge 10 percent tariff for foreign cars imported. So you can manufacture the cars there and bring them here which they are doing now very liberally, but you cannot take them there. This is the usual procedure of every foreign nation. Our free-trade principle is catching up with the American people. The American workingmen are headed for the street. We are now living on a war economy. I guess you know that too.

Mr. VUILLEQUEZ. Well, Senator, that is why I think we should have the cheapest raw materials to compete against that.

Senator MALONE. Lower wages?

Mr. VUILLEQUEZ. With our automobiles.

Senator MALONE. We should go out of business in anything that we cannot get our wages down far enough to compete with?

Mr. VUILLEQUEZ. No, sir; that is not my idea.

Senator MALONE. That is exactly what you just said. It is the effect of what you just said.

Mr. VUILLEQUEZ. I do not think so, Senator.

Senator MALONE. Go ahead. I am glad to know how your mind operates.

Senator KERR. You were down to A on page 1.

Mr. VUILLEQUEZ. Thank you, Senator.

The provisions of S. 2376 briefly are that at present prices for lead and zinc an excise tax would be imposed, equivalent to about two cents per pound more for pig lead and about 1.3 cents per pound more for slab zinc than the present import tariffs on these two metals. The committee's attention is drawn to the establishment of what we consider to be an unfortunate and possibly vicious precedent of imposing excise taxes rather than the fixed import duties which have prevailed for lead and zinc for many years.

Senator KERR. Now, who perpetrated this vicious precedent of imposing excise taxes?

Mr. VUILLEQUEZ. I think it is a precedent for this country, sir.

Senator KERR. I say who did it?

Mr. VUILLEQUEZ. This bill to the best of my knowledge is the first one which has these excise taxes.

Senator KERR. Oh. You mean there is nothing like that in effect now?

Mr. VUILLEQUEZ. Not on raw materials, sir. I am not aware there is.

Senator KERR. On any kind of materials?

Mr. VUILLEQUEZ. I think there are taxes on certain manufactured products, sir.

Senator MALONE. There is an excise tax on copper.

Mr. VUILLEQUEZ. That is now considered an import duty, Senator. It has been changed in the Tariff Act of 1930.

Senator MALONE. I do not believe it was changed until after 1934. I think you mean GATT changed it?

Mr. VUILLEQUEZ. I do not know who changed it, but it started as an excise tax. It is now an import duty.

Senator MALONE. So it is not a precedent at all.

Senator KERR. I was just trying to get the identity of the culprit who would perpetrate a vicious precedent.

Mr. VUILLEQUEZ. I am thinking of it more, sir, from the point of view that we have made arrangements, whether it is through GATT or otherwise, that these changes should be negotiated, and I am thinking of it much more from the point of view that other countries may say, "Well, all right, if the United States"——

Senator KERR. All right. You make the statement here, as I read it, saying the committee's attention is drawn to the establishment of what we consider—and I presume "we" there includes you——

Mr. VUILLEQUEZ. Oh, yes, of course.

Senator KERR. To be an unfortunate and possibly vicious precedent. I am just trying to find out who you are talking about.

Mr. VUILLEQUEZ. I am afraid that if we do this without the methods that were used before in connection with lead and zinc, other countries on other products may also do the same thing and hurt us in other directions.

Senator MALONE. They do that now.

Senator KERR. That is not in response to my question. I am just asking you who is the culprit that is establishing a vicious precedent.

Mr. VUILLEQUEZ. Well, I think this legislation would. That is my opinion, sir.

Senator KERR. Then are you talking about the authors of this legislation?

Mr. VUILLEQUEZ. I am talking about the legislation itself. No, I do not think the authors are vicious. I certainly do not feel that way about it.

Senator KERR. But do you think they are trying to perpetrate a vicious precedent?

Mr. VUILLEQUEZ. No; I think they merely—I would like to call their attention to what might happen in other directions if this bill is passed as is.

Senator KERR. I must say your language will succeed in accomplishing your purpose.

I just wonder if you are serious when you refer to a proposal by Members of the Congress and one being considered seriously by a committee of the Congress as being a vicious precedent that—I just wonder if you might not be understood by those who authored the legislation and who seriously consider it as referring to motives or the characterization of their acts.

Mr. VUILLEQUEZ. That certainly is not my intention.

Senator KERR. I wonder if you would be just as well off if you found some other adjective than "vicious"?

Mr. VUILLEQUEZ. I certainly would be delighted to. As a matter of fact, I intended to explain when I got to page 2 an error that crept in chiefly because of the fact that we heard about these hearings on late Wednesday. This paper was prepared very hurriedly and I think in some cases is not as happily worded as I would like it to be if I had had the time to go over it.

Senator KERR. Now, think about it and give a little consideration to the amendment of the language so as to either mollify or modify or eliminate the effect of the word "vicious."

Mr. VUILLEQUEZ. I certainly shall, sir, and I am sorry if it has been in any way offensive. It was not intended that way.

Senator KERR. I was just trying to decide whether or not I understood it. I would think that the effect of it would be determined——

Senator MALONE. Mr. Chairman——

Senator KERR. I do not think there is a vicious man on this legislation.

Mr. VUILLEQUEZ. I am sure there is not.

Senator KERR. And I do not think there is a vicious member or a member of this committee that is seriously considering it that is vicious. Do you?

Mr. VUILLEQUEZ. I certainly do not, sir, and I agree with you that the expression should have been worded differently.

Senator KERR. All right.

Senator MALONE. Mr. Chairman——

Senator BENNETT. Mr. Chairman——

Senator MALONE. Go ahead.

Senator BENNETT. As 1 of the 2 Senators whose names are on the bill, I appreciate the questioning of my colleague and his concern about straightening up any misunderstanding about my basic character.

Senator KERR. Very good. I want to say that I was thinking about the ideals and patriotism of the distinguished Senator from Utah and his colleague and my colleague from Oklahoma, and I just wanted to say that I had associated with you and others here all of these years with a feeling of comfortable ease and safety, and if I now learned that you were about to perpetrate a vicious precedent I would think it might be well either that the impression be removed or that in the future your colleagues take measures to protect themselves from another outbreak.

Senator MALONE. Mr. Chairman——

Mr. VUILLEQUEZ. Thank you.

Senator KERR. The Senator from Nevada.

Senator MALONE. The witness just made a remark to which I would like to call his attention. And that is his suggestion that these countries may retaliate. How would they retaliate, because we protect our own labor and investments to the extent of the difference in our wage and living standards? How do you mean they would retaliate?

Mr. VUILLEQUEZ. Well, I think we are vulnerable, Senator.

Senator MALONE. Are we?

Mr. VUILLEQUEZ. Because we export more to most of these countries than they sell to us.

Senator MALONE. Now, I may have news for you. They have already retaliated.

Mr. VUILLEQUEZ. They can retaliate further, Senator.

Senator MALONE. I do not see how. Because I will read to you the present conditions. In Mexico, as mentioned previously, expropriation—this is page 212 of the document I have already mentioned.

As mentioned previously, the Mexican Government seized the railways of the country and tried to bring about a settlement that was unsatisfactory to those who had invested in bonds of the various rail lines. In 1938 the Government also expropriated foreign oil companies and offered unsatisfactory settlements to the owners. After lapse of nearly two decades, final settlement of the railroad or oil expropriation has not been achieved.

Investment outlook: Potential investors in Mexico should carefully weigh the foregoing factors as well as the added circumstances that taxation in that country has become a fine art and that there exists considerable national opposition to foreign capital investment.

Now, I want to say to the witness that he has just as much right to his opinion of what ought to be done in this country as any citizen in the United States. Our Interior and Insular Committee has brought out the fact that the Western Hemisphere is a common unit in defense and our interests are common in that defense. But this committee never did say—I am talking about the Interior and Insular Affairs Committee; this is the Senate Finance—that committee never did say that cooperation should go to the point of putting our own workingmen on the street and our own investors losing their money to keep them in business.

What we want to do is be fair and be a good neighbor. And I think you will find that sentiment running through all the committees of Congress.

Mexico has not always been a good neighbor. I have been there many times. But it is a fine country. As a matter of fact, if we want to take on an additional State, Mexico would be a fine candidate.

We, however, have to keep in business in this country while we are helping other people. And that is what I have been trying to question you about and will continue after you finish your statement.

Mr. VUILLEQUEZ. Senator, you do not have to tell us about the difficulties of operating in Mexico. If the mines we have there were across the border in this country, they would be bonanzas rather than losers today.

Senator MALONE. They would be shut down, my friend.

Mr. VUILLEQUEZ. No; they would be bonanzas.

Senator MALONE. They would be shut down, because you could not compete with the same kind of mine in Mexico, or any of the low-wage nations on an equal basis, and you know it better than I do.

Senator KERR. You were down to the middle of paragraph A.

Senator CARLSON. Mr. Chairman, as a matter of fact, just two sentences down.

Senator KERR. I accept the amendment.

Mr. VUILLEQUEZ. This method of legislation bypasses both the normal processes of negotiation by the State Department with interested foreign governments and the Tariff Commission hearings required under the escape clause of our GATT agreements.

Senator MALONE. Now, Mr. Chairman, we know that the Secretary of State is in favor of the regulation of our foreign trade and national economy, but that is not the normal constitutional process.

Senator KERR. Just a minute. If I might get a question cleared in my own mind here——

Senator MALONE. Yes. I defer to the chairman.

Senator KERR. The Tariff Commission hearings required under the escape clauses of our GATT agreements. Do you have a copy of a GATT agreement that requires a Tariff Commission hearing?

Mr. VUILLEQUEZ. I do not have one with me, sir: no.

Senator KERR. Would you supply that for the record?

Mr. VUILLEQUEZ. I will try to.

Senator KERR. I think you are going to have trouble doing it.

Mr. VUILLEQUEZ. All right.

Senator KERR. But then if there is a Tariff Commission hearing required under the escape clauses of our GATT agreements, as a member of this committee I would like to be apprised of the fact and have you submit to us the verbiage, paragraph and page and the chapter in which it can be found.

Mr. VUILLEQUEZ. Right, sir.

(See letter, p. 275.)

Senator MALONE. Now, Mr. Chairman, I would call the attention of the witness to this fact, which I suppose he would consider unimportant, but the Senate of the United States or the Congress of the United States has never approved the GATT organization.

Mr. VUILLEQUEZ. I am aware of that, sir.

Senator MALONE. Now, I want to merely point out that the witness is exactly correct when he says that the State Department is very much interested in foreign governments to the exclusion of our own. The Constitution of the United States pointedly separates the regulation of our foreign trade and national economy from the foreign policy.

In article I, section 8, it is specifically set down in the Constitution that the Congress of the United States regulates foreign trade, which controls the national economy. But the Congress did pass an act, at the instigation of a very strong State Department and Executive in 1934 transferring to the Executive that constitutional responsibility of Congress to regulate foreign trade.

And also in that same document, the 1934 Trade Agreements Act, called reciprocal trade, included in that act, according to Secretary Dulles' testimony before this committee, full authority for the President to transfer that congressional responsibility to any area on earth under any organization he might spearhead.

And in 1947 the President did organize the General Agreement on Tariffs and Trade, GATT, and transferred it to Geneva, where the 34 foreign competitive nations are dividing the American markets between themselves through the simple process of continually lowering our American tariffs in accordance with the 1934 Trade Agreements Act as extended to June 8, 1958.

But their action has never been approved by this Congress unless the 1934 Trade Agreements Act does provide for it, as Secretary Dulles has testified.

Senator CARLSON. It does.

Senator MALONE. He is very nervous about it, always coming up here with something like OTC, Office of Trade Cooperation, which is here now. It is the same as the ITO (International Trade Organization) which Congress rejected in 1951.

In 1951 the International Trade Organization was discarded. So now you and the State Department go right ahead with your plans. I do not blame you. I admire you for knowing how to make money under the things Congress inadvertently passes.

I have got some more news for you. I do not think the 1934 Trade Agreements Act will be extended next year. I think the people are waking up in this country. They have never known or believed what this Congress had done to them until the boys started walking out on the street unemployed like the zinc miners are doing now, like textiles are doing, and every other industry that the war economy is not temporarily keeping alive.

American capital is fluid. It can go to any country, it can be invested in South Africa; anyplace. But the workingman and the small investor cannot go abroad—so they are unemployed and broke.

Senator BENNETT. Mr. Chairman——

Senator KERR. The Senator from Utah.

Senator BENNETT. I am interested in leaving out the use of the word "GATT" which I am afraid our friend will have a little difficulty with—his whole sentence which says:

This method of legislation bypasses the Tariff Commission hearings required under the escape clauses.

I wonder if our friend remembers that in 1954 this industry did go before the Tariff Commission on a motion of this committee, and escape-clause hearings were held on lead and zinc, and while the President declined to follow the decision or the recommendations of the Tariff Commission, the Tariff Commission recommended relief under the escape-clause provisions.

So would you agree with me that at least by interpretation this sentence is not quite accurate, that this——

Mr. VUILLEQUEZ. I understood that the Tariff Commission hearings of 1953 which I attended could not be used today legally to make any change in the tariff, that there would have to be new hearings.

Senator BENNETT. Well, whether there had to be new hearings or not, the industry went through the normal process. They did ask for an escape-clause relief. The Tariff Commission recommended escape-clause relief. The President chose under his authority to veto that recommendation or to decline to use it. So I do not think it is quite accurate to say that this method of legislation bypasses the normal process because this industry sought relief through the normal process and probably if relief had been granted and the recommendations of the Tariff Commission had been carried out we might not now be considering such a bill.

So will you agree that maybe this sentence is not completely accurate?

Mr. VUILLEQUEZ. I will agree to that if you take the view that the Tariff Commission hearings of 1953 are still in existence—that is, can still be used as a basis. I understood they could not.

Senator BENNETT. Well, it seems to me that that is splitting a hair. Do you think that the industry should continue to ask the Tariff Commission for relief and as fast as that relief is denied they should ask again?

Mr. VUILLEQUEZ. No; my whole thought in those two sentences, Senator, is that if we impose excise taxes without normal negotiation, whether it be by Tariff Commission hearings or by the negotiations with governments, that I am afraid that these governments—because I know that they are very disturbed by this bill—that they may do things we may not like in other directions. That is my whole thought in this field.

Senator BENNETT. What you are saying to us then is that if the Tariff Commission acted in 1954 and no relief was granted, then this committee is remiss because we did not try to pass legislation like this immediately?

Mr. VUILLEQUEZ. I would not think that this committee is at all remiss in anything, sir. That is not my province to think that.

Senator BENNETT. Well, you think we are remiss in considering this method of legislation which you say bypasses the normal processes.

Mr. VUILLEQUEZ. No; I do not, sir. I merely think that this method of legislation may cause difficulties to other American companies, particularly exporters of manufacturing industries to the countries who may be injured by this legislation. That is all I am trying to point out.

Senator JENNER. Let me——

Senator BENNETT. May I continue just a minute? Do I understand, then, that you consider that the normal process would require that the State Department try to negotiate something first and that this committee must wait until after the State Department carries on a negotiation process?

Mr. VUILLEQUEZ. Well, I think it would make the country affected by the legislation susceptible to be, let's say, slightly angry with us. That is my whole thought.

Senator BENNETT. Well, is the responsibility of handling a problem like this primarily with the State Department or is it with this committee?

Mr. VUILLEQUEZ. I cannot answer that, sir. I do not know enough about our Government's functions. I cannot answer it.

All I can point out is that this method is exciting countries that I think would have preferred certain negotiations than to hit them with an excise tax of this type.

Senator BENNETT. I think it is fair to assume—I think you will find if you look the situation over carefully and do a little studying that the responsibility in this kind of a situation rests primarily with the Congress, not with the State Department.

Mr. VUILLEQUEZ. Yes.

Senator BENNETT. Senator Malone, I am sure, will be glad to give you chapter and verse on that if he has not already done it.

Mr. VUILLEQUEZ. I certainly do not disagree with that.

And as I said to Senator Malone before, I do not think we have any different views on the need for some help in this country. I think our views differ in the method of helping.

Senator BENNETT. Well, I am concerned with your statement that the normal process—or the way I read your statement is that the normal process would require prior negotiation by the State Department before this committee could undertake legislation.

Mr. VUILLEQUEZ. I understood that that was—that those were our obligations under the GATT, sir: That first we negotiate and then try to give them concessions.

Senator BENNETT. Has the United States ratified the GATT?

Mr. VUILLEQUEZ. I am not competent to—I understand there is a difference of opinion on that score.

Senator BENNETT. Well, I think the Senator from Oklahoma has——

Senator KERR. What is your opinion on that score?

Mr. VUILLEQUEZ. I do not know enough about it to have one, sir.

Senator KERR. If you do not know, you mean you have an opinion without knowledge?

Mr. VUILLEQUEZ. Well, I have—I know that the foreign countries feel that we are obligated under this agreement.

Senator KERR. Well, has it been ratified by the Congress?

Mr. VUILLEQUEZ. I do not believe it has, sir.

Senator KERR. I do not either. And I appreciate the Senator from Utah indicating his thought of the inaccuracy. Actually, the Senator from Oklahoma tried to in a gentle way indicate to the witness that his statement is wholly inaccurate, but apparently I did not pierce either the defenses of the witness or the confusion of the witness, because there are no tariff agreement hearings required under escape clauses of our GATT agreements. So how could it be a normal process when it is nonexistent?

Mr. VUILLEQUEZ. Well, sir, I can only repeat that there is a feeling on the part of the members of GATT——

Senator KERR. I am talking about your statement here.

Senator JENNER. Maybe the witness did not prepare the statement, does not know anything about it, Mr. Chairman.

Senator KERR. Well, I think the latter is entirely possible. I would not know that that would be affected by his having prepared it.

I would either like you to document your statement or accept mine that it is inaccurate.

Mr. VUILLEQUEZ. I would prefer to accept yours that it is inaccurate until I can document it, sir.

Senator KERR. All right. Now, if you are going to document it, then I want you to cite the chapter, page, and paragraph of the GATT that requires our Tariff Commission to hold a hearing.

Mr. VUILLEQUEZ. All right.

Senator MALONE. Mr. Chairman, I would like to know if the witness has ever heard the talk in financial circles that the wages in this country are too high and that something must be done to level them off and that maybe the imports from the low-wage countries under our free trade arrangement may have that effect?

Mr. VUILLEQUEZ. I am sorry. I did not know you were expecting a reply.

Senator MALONE. You are the witness.

Mr. VUILLEQUEZ. You said "Mr. Chairman."

Senator MALONE. You must have gone to sleep.

Mr. VUILLEQUEZ. I was not, but you said, "Mr. Chairman." I was not prepared to answer you.

Senator MALONE. Well, we address the Chair, when we ask a question. So I said "Mr. Chairman."

Now, have you, then, heard the talk among the higher brackets of organizations that employ the workingmen that the wages in this country are out of control and their importation of goods from cheap labor countries under this 1934 Trade Agreements Act and GATT in Geneva might have a leveling-off effect on the wages paid.

Mr. VUILLEQUEZ. On our wages, sir?

Senator MALONE. Yes. In America. If they are too high or are out of control, as some say, that all these imports from the lower standard of living countries might have a tendency to control it?

Mr. VUILLEQUEZ. I do not think it—I think that the wages in this country will continue to increase. I am not aware——

Senator MALONE. I did not ask you what you thought about it.

Mr. VUILLEQUEZ. I have not heard that, sir; no.

Senator MALONE. You have not heard it?

Mr. VUILLEQUEZ. No.

Senator MALONE. I have heard it, and, as a matter of fact, the real contest, if you will go to the bottom of it, is between the workingmen and small investors of the country defined as an investor of a size or nature that is not compatible with making foreign investments to import in connection with their work—the contest is really between the workingmen and the small business under that definition and the international investors, whoever they may be.

Do you agree with that statement?

Mr. VUILLEQUEZ. I do not think I do. It is——

Senator MALONE. How would you determine it?

Mr. VUILLEQUEZ. It is one that requires a lot of thought. I would like to think it over, Senator.

Senator MALONE. It does require a lot of thought. I have given it a lot of thought. As a matter of fact, I did not arrive at that conclusion the first 6 or 7 years I was here.

I also had the idea that you New York folks, and Boston, Chicago, San Francisco—all the money centers—wanted to maintain our standard of living, but they also wanted to invest their money abroad and bring the stuff in on an equal-cost basis.

So that is the reason I think the real contest then is between men like you—you are operating under a congressional act as directed by the State Department, representing our Executive, in Geneva. And you are perfectly within the law, and I admire you. You know how to make money. The blame I place is on a Congress that makes it profitable. But that is another day and among ourselves, what we pass here.

But I asked you a question if you believe that really the contest comes down to men like you and international banks that want to loan the money to do business and the workingmen and small investors of America who are unable to go to these places and keep the kids in school and wear the kind of clothes they are used to here.

Mr. VUILLEQUEZ. Thank you for repeating, Senator. I think you have helped me to make up my mind. I do not think there is any contest.

Senator MALONE. Well, I do not know what you call it. It may be a friendly contest, but it is developing very fast.

Mr. VUILLEQUEZ. I do not think there is any contest between the increasing wage rates in this country and the standard of living of people in this country and this particular legislation and imports of raw materials into this country.

Senator MALONE. But the effect is the same.

Mr. VUILLEQUEZ. I think that each helps the other.

Senator MALONE. Yes—well, it helps the foreign nation at the expense of the workingmen and small investor in America. But what I am trying to say to you: The effect can only be one thing of what you are advocating, and that is unemployment in this country and accepting lower wages to go back to work or a lowering of the cost of doing business to meet it or staying out of that business.

Now, maybe you agree with the State Department. The State Department has sent 2 or 3 bills up here in the last 5 or 6 years that would appropriate money and put it in a fund to retrain workers that are put out of work, workingmen that are put out of work in the zinc industry or textile industry, whatever it might be, through competition with this low-cost labor. Secretary Dulles testified to that right here, sitting where you are, about 1955 when we extended the 1934 Trade Agreements Act for 3 years. It is up now and expires again in June 1958.

So, he said he was for that. He also testified that, under that 1934 Trade Agreements Act, it gave the President full authority to make these trade agreements or to allow it to be done in Geneva where it is now, that that might result in depressing or eliminating certain industries in this country, but if they thought in the judgment of the State Department or the Executive that the overall benefit to all of the United States was benefited or helped by that elimination or depression of a certain industry in this country they had the power to do it. Now, do you agree with that? They had to do it? They had the authority under the 1934 Trade Agreements Act—which is your GATT now in Geneva?

Mr. VUILLEQUEZ. Sir, in answer to your question, I do not think I can give you a categorical answer. I am not a freetrader completely. I am not a protectionist completely. I think each one has—everything has to be examined on its own merits. I think, in answer directly to your question, that if I were running it and if I were convinced that it is to the very large advantage of the Nation I would do it, but provided that the industries injured received proper compensation.

Senator MALONE. In other words, appropriate a fund from the taxpayers? That is the only source.

Mr. VUILLEQUEZ. If it is to the national interest, I should think the industries that might be hurt should get proper compensation at the expense of the average taxpayer.

Senator JENNER. And the people in the industry retained and shipped someplace else to work where they are needed?

Mr. VUILLEQUEZ. I say I do not like to be categorical about it. It depends on every case.

Senator JENNER. What are you going to do about the people?

Mr. VUILLEQUEZ. I think they should be paid.

Senator JENNER. The people should be paid for not working, or what?

Mr. VUILLEQUEZ. No, no. I think they should be transferred and wherever——

Senator JENNER. Shipped someplace where the Government says they are needed?

Mr. VUILLEQUEZ. Well, sir——

Senator JENNER. In other words, that is the way they do it in Russia. You want to bring about that kind of system in this country?

Mr. VUILLEQUEZ. In Russia they do not pay them, sir.

Senator JENNER. What?

Mr. VUILLEQUEZ. I think in Russia they do not pay them.

Senator JENNER. But they ship them where they are needed and tell them to go to work.

Mr. VUILLEQUEZ. I do not mean that at all.

Senator JENNER. What do you mean?

Mr. VUILLEQUEZ. I mean that, if there are industries in this country that are injured for the general national welfare, they should be helped in the American way, whether it is by relocating in a way which will not injure their standard of living, whichever way it may be. I am sure that each case can be examined by itself and perhaps proper, adequate solution found. There may be cases where it cannot, and in those cases I would not do what might be considered to the national interest.

Senator JENNER. Why are you fellows all so afraid you are going to hurt some other country, and that they are going to retaliate, and so forth? Let's take this right here in this last sentence of paragraph A:

> This method of legislation bypasses both the normal processes of negotiation by the State Department with interested foreign governments and the Tariff Commission hearings required under the escape clauses of our GATT agreements.

Now, when the escape-clause law was passed, did anybody get mad and retaliate because we passed that?

Mr. VUILLEQUEZ. When the escape law was passed? I——

Senator JENNER. When the escape law was passed, peril points, or whatever you want to call it. We wrote that into the law.

Mr. VUILLEQUEZ. Yes.

Senator JENNER. And we said when anybody has been injured they can come to the Tariff Commission and make an appeal, and the Tariff Commission can have hearings. You have just testified about that.

Mr. VUILLEQUEZ. Yes.

Senator JENNER. And then the President of the United States turned down the tariff findings. Was anybody mad about that? Did they retaliate?

Mr. VUILLEQUEZ. No. In fact, they——

Senator JENNER. Then why do you think they would retaliate over this law?

Mr. VUILLEQUEZ. Well, because——

Senator JENNER. Or do you want an ineffectual law whereby no remedy would be given to the domestic people, the domestic producers of this country? Is that what you want?

Mr. VUILLEQUEZ. No; on the contrary, I think that I would help very, very much. It is purely a question of method. In the one case you help, and hurt somebody else. There are other methods, I think, where you can help just as effectively without hurting others.

Senator JENNER. What do you say—why do you keep repeating they are going to retaliate? How are they going to hurt us? In what way? Just give me an explanation.

Mr. VUILLEQUEZ. Well, I do not know, Senator, whether you are aware of the resentment that this proposed legislation has aroused in Mexico and Canada and in Peru and other countries. I have been exposed to it. I would recommend that you might, perhaps, ask our State Department what the replies have been or what the protests have been. I think that they may retaliate because we are vulnerable.

For example, take Canada. Last year I believe—I am not sure the figures are exact, and I do not present them as being exact but use them as an order of magnitude—last year Canada imported from this country over a billion dollars more than it sold to this country. And I think you know a little bit about a new government in Canada. I think that we are vulnerable. Our manufacturing industries are vulnerable. Because this has aroused probably a lot more resentment than it is really worth because of the method that is being used, because these countries know that we need at least a portion of our requirements in their metals and they do not like the way this is being passed through. That is what I am trying to imply, Senator.

Senator JENNER. But it is perfectly all right—well, take Canada, for example. You referred that you did not like this dumping business. It is perfectly all right for Canada to dump her grains in America and depress the American market? That is perfectly all right?

Mr. VUILLEQUEZ. Well, I do not know anything about grains, Senator.

Senator JENNER. Well, just take my word for it. That is what happens. Is that all right?

Mr. VUILLEQUEZ. I do not think anybody should dump anything.

Senator JENNER. In other words, why in the heck should we be concerned about other people getting mad at us when they do anything in the world they want to us and we are supposed to take it?

Mr. VUILLEQUEZ. Senator, I am not concerned about other people. I am concerned about the United States.

Senator JENNER. I am too. I am too. That is what we are talking about.

Mr. VUILLEQUEZ. And I think if we pass through legislation that will hurt the United States as a whole, then we should be concerned.

Senator JENNER. But you think it ought to be a one-way street?

Mr. VUILLEQUEZ. I do not, sir.

Senator JENNER. That we can just do anything just as long as we do not make anybody else mad? As long as we do not get them to retaliate against us? It is all right for our industries to go out of business? It is all right for our people to be unemployed?

Mr. VUILLEQUEZ. I do not think that at all.

Senator JENNER. Just as long as we make the rest of the world happy?

Mr. VUILLEQUEZ. I do not think that is all, sir. I first——

Senator JENNER. Is that not the ultimate end of what you are discussing? Is not the point of view you have been presenting just exactly that?

Mr. VUILLEQUEZ. No, sir; I do not think so. That is not my objective to make everybody happy at our expense. On the contrary, my objective first is to make us happy and at the same time not to make others unhappy.

Senator JENNER. All right.

Senator MALONE. Have you borrowed any money from any of the corporations set up by our Government and financed largely here, like the Export-Import Bank or the World Bank, the International Bank, or any other institution for investment abroad?

Mr. VUILLEQUEZ. Not the American Metal Co., Senator, but one of the companies in which we have an important financial interest in Rhodesia, the Chibuluma mines, has borrowed money. I am not sure whether it is Export-Import Bank or what the lending agency was.

It borrowed money which it will repay in metals, in copper and in cobalt.

Senator MALONE. I just wanted to know if you had been financed by any of these organizations set up by the Government to encourage American investments abroad. We covered that almost entirely I think under the examination of another matter here with Secretary of the Treasury Humphrey. There are four organizations, and the Export-Import Bank is financed up to $5 billion by us alone. The other organizations, $8 billion or $9 billion. And we put up 35 percent of it, and then it is controlled, the board of directors is controlled, by a foreign board. That is, a board with foreign nations controlling it because they vote according to the money they put in. And they do encourage this.

Now, the normal processes have been pretty well covered here, but the normal process is, according to the Constitution of the United States, to control foreign trade. And that is the Congress of the United States. That is what I would call the normal process for control of foreign trade. And that you can read.

I do not suppose anybody reads the Constitution any more. But in article I, section 8, that is where it puts the power and the responsibility to regulate it. And that is the normal manner. We have been under an abnormal manner for 24 years. I want the record to show that.

Now, another thing that I am sure any other nation would bring up sometime: Are we not the only protection in case of a world war for the Western Hemisphere or for any other nation that is not a part of the opposition in that war? Is not the United States the only protection they would have?

Mr. VUILLEQUEZ. I certainly think so, Senator.

Senator MALONE. Well, then, is that not worth something to a nation like Mexico or any nation in the Western Hemisphere or any nation in Europe that we might think it is necessary to protect for our own safety? Should that not be a consideration in this kindly blackmail that you say will happen to us if we try to protect our own workingmen?

Mr. VUILLEQUEZ. I think it has been a consideration. I think it should continue to be one.

Senator MALONE. Do you not think that should be the main consideration? Because we are the ones—were we not the ones in 1823 when Monroe said that any nation—these are not the words but the spirit—that seeks to establish its form of government in the Western Hemisphere will be considered an overt act against the United States, which meant war. Then he stopped dead, cold, the European nations from moving in and taking charge of these Western Hemisphere nations mostly in South America. Is that not true?

Mr. VUILLEQUEZ. I think so, yes.

Senator MALONE. And Mexico was occupied by Germany or some other——

Senator BENNETT. France.

Mr. VUILLEQUEZ. France.

Senator MALONE. France—for a while. But when we set down that Monroe Doctrine, which is still the best thing we ever had—we have abandoned it utterly, but we will go back to it, because our country has made a cycle, sort of a mental aberration cycle, and it is coming back to its senses in spite of what Congress is still doing.

Do you not think Mexico fully realizes that any time we cut them loose that they would not be free any length of time at all? Somebody would take them over? Or any other nation in South America?

Mr. VUILLEQUEZ. I do not know what they realize, sir. I do not think we could afford to allow it to happen.

Senator MALONE. Well, you do not think we could afford to allow it to happen?

Mr. VUILLEQUEZ. No.

Senator MALONE. What would happen to them? Do you think they can afford to have it?

Mr. VUILLEQUEZ. No, sir, they cannot.

Senator MALONE. Then can they afford to blackmail us because we try to take care of some of our workingmen?

Mr. VUILLEQUEZ. It depends who starts what, Senator.

Senator MALONE. I will tell you who would start who. If we start running this United States to preserve our standard of living and our economic structure, we will soon have plenty of followers, because we want to make our own system work before we can sell it to anybody else, and we are not doing very good.

Now, I want to say to you apropos of this sermon that you are giving us this morning—you are preaching to us, and you did on this first page, that Congress is out of it, that it is the State Department now and GATT and all the rest of it, that Congress has no authority.

Senator JENNER. One world.

Senator MALONE. Is that not what you just said?

Mr. VUILLEQUEZ. That is not what I intended to say.

Senator MALONE. It is what you implied.

Mr. VUILLEQUEZ. I intended to point out——

Senator MALONE. Let me read to you and see what you intended to say. It has been read to you three times.

> This method of legislation bypasses both the normal processes—

which of course I deny. The normal process was bypassed in 1934, and I think Congress is going to come back to its senses next year.

Senator JENNER. Correction now there, Senator. It was not bypassed. Congress just gave up its rights under the Constitution.

Senator MALONE. That is right. They just gave it up.

> This method of legislation bypasses both the normal processes of negotiation by the State Department with interested foreign governments and the Tariff Commission hearings required under the escape clauses of our GATT agreements.

Well, you had a pretty good going over about that. But what you are saying here is that Congress has no right to come in with any remedial legislation. You are in effect saying that; are you not?

Mr. VUILLEQUEZ. I had not intended to say that in effect.

Senator MALONE. Well, I can see that——

Senator JENNER. He says it has the right to come in as long as it does not make anybody else mad.

Senator MALONE. Here is what I want to say to you. And I am afraid in a few years if we keep up what we are doing we are going to reach the point that you now apparently think we have reached. But under the Constitution of the United States, which has not been amended in this regard, Congress can come in at any time and take back its constitutional responsibility to regulate foreign commerce and the national economy, and I think it is going to do it next year.

Because the very thing that they did in 1934 under great stress and under the direction of a very strong Executive and State Department—they relinquished that responsibility to do this job and said, "Go ahead. Try it."

Well, now we have men like you that live in New York and other money centers that think it is more important to keep an industry alive in Mexico than it is, as the distinguished Senator from New Mexico said, in New Mexico.

I find no words adequate to describe it, Mr. Chairman.

That is all at this time.

Senator KERR. At this time.

Senator JENNER. At this time.

Mr. VUILLEQUEZ. I am still on paragraph A.

Senator KERR. Yes, you are. You have just finished the first paragraph of section A on page 1.

Mr. VUILLEQUEZ. It seems to us that there have been two major arguments made by the proponents of higher imposts on importations of lead and zinc, with which we deal below.

(1) The request for Government assistance from domestic producers of lead and zinc has been tied to the necessity of such assistance from the point of view of this country's defense.

We believe that this argument has no validity. In the first place, the Office of Defense Mobilization now considers Canada and Mexico equal to the United States for the purpose of the mobilization base of the United States.

Senator KERR. Now, can you document that statement?

Mr. VUILLEQUEZ. I have discussed it, sir, with the Defense Department, and I understand that that is the case.

Senator KERR. Now, with whom did you discuss it?

Mr. VUILLEQUEZ. I have nothing in writing.

Senator KERR. Well, with whom did you discuss it?

Mr. VUILLEQUEZ. I do not know whether I have the name here, sir. I would like to— I can send you that, too.

Senator KERR. How would you go about refreshing your memory on it?

Mr. VUILLEQUEZ. Well, I could make a telephone call.

Senator KERR. We will recess 3 minutes while you do that.

Mr. VUILLEQUEZ. To New York.

Senator KERR. All right.

Senator MALONE. Go ahead.

Senator JENNER. Let's have a short recess.

Senator KERR. I want to know the identity of the person in the Defense Department or the Office of Defense Mobilization that officially advised you that they now consider Canada and Mexico equal to the United States for the purpose of the mobilization base for the United States. (See letter, p. 275.)

Mr. VUILLEQUEZ. I will be glad to call our office, sir. It will take more than 3 minutes.

Senator KERR. You said you had that conversation.

Mr. VUILLEQUEZ. Well, I should have said we had that. Actually another gentleman had the conversation. I want to be sure of the name. I think I know the name, but I do not like to disclose it until——

Senator KERR. Well, did you have the conversation?

Mr. VUILLEQUEZ. Not I personally; no.

Senator KERR. Were you there when it was had?

Mr. VUILLEQUEZ. No.

Senator KERR. Well, I think that——

Mr. VUILLEQUEZ. I think that information——

Senator KERR. What evidence do you have that that is the present official attitude of the Office of our Defense Department or the Office of our Defense Mobilization Department?

Mr. VUILLEQUEZ. Several conversations, sir, by our office and a certain individual.

Senator KERR. I am not talking about—I am talking about what you know.

Mr. VUILLEQUEZ. Well, I think that a certain gentleman at the meeting that I attended, too, made a statement to the effect that the mobilization base——

Senator KERR. What certain gentleman?

Mr. VUILLEQUEZ. Well, I—it is Mr. Wormser I think said Mexico and Canada were included as part of the mobilization base of the United States at a meeting I attended in New York some time ago.

Senator KERR. Well, to say that Canada and Mexico were included in our defense base, mobilization base, might have one meaning. Do you think that that would be the same as saying that our Defense Mobilization Office now considers them equal to the United States for the purpose of the mobilization base of the United States?

Mr. VUILLEQUEZ. I—that word is intended to mean that their production is considered available to us in times of war as much as our production.

Senator KERR. Well, I can interpret this only as meaning that we are equally dependent on Canada and Mexico as a part of—for the purpose of the mobilization base of the United States.

Mr. VUILLEQUEZ. Well, it is not intended to mean that, Senator.

Senator KERR. What does it say?

Mr. VUILLEQUEZ. It is intended to mean——

Senator KERR. What does it say?

Mr. VUILLEQUEZ. Canada and Mexico equal——

Senator KERR. No—

the Office of Defense Mobilization * * *

Mr. VUILLEQUEZ (reading):

The Office of Defense Mobilization now considers Canada and Mexico equal to the United States for the purpose of the mobilization base of the United States.

Senator KERR. Do you think that is correct?

Mr. VUILLEQUEZ. I believe it is correct, sir.

Senator KERR. And you are going to provide this committee with the documentary evidence that that is their position?

Mr. VUILLEQUEZ. I shall try to do so, sir.

(See letter, p. —.)

Senator KERR. And advise this committee with the name of the man in our Defense Department or Defense Mobilization Department who made that statement.

Mr. VUILLEQUEZ. All right.

Senator BENNETT. Mr. Chairman, can I ask a question?

Senator KERR. Sure.

Senator BENNETT. The use of the word "equal" raises this question. If we had an emergency and had to reach out, could this Congress or the President of the United States demand—has he the power to expect or require Canada or Mexico to supply us with material?

Senator KERR. You are addressing that question——

Senator BENNETT. I am addressing that question to the witness. That, it seems to me, would be a measure of equality. This Congress can require the producers of the United States to set their material aside by allocations and otherwise——

Senator KERR. Fix the price.

Senator BENNETT. Fix the price, control it completely for our benefit in the event of emergency. Can we do that with Mexico and Canada?

Mr. VUILLEQUEZ. Well, in effect, Senator, that is what happened during World War II. As a matter of fact, before we entered World War II——

Senator KERR. Why don't you answer his question?

Mr. VUILLEQUEZ. I do not think we can require them; no. I do not think that is correct. But if it is an emergency I believe that they will see that their interests are the same as ours, besides which if it is an emergency which impedes the movement of metals by water they would have no other place to ship to.

Senator BENNETT. Well, then, do you not think maybe the use of the word "equal" is also as unfortunate perhaps as the word "vicious"? It seems to me if we can require the use of domestic materials in an emergency, then "equal" would imply that we can also require the availability of Canadian and Mexican materials.

Mr. VUILLEQUEZ. The word "equal" as used here was not intended to mean that. And I agree with you it is ambiguous and could be changed to better phrasing.

Senator KERR. The important part about it is that I do not think it is ambiguous. I think it is misused or inaccurately used. I agree with the Senator from Utah entirely.

Senator MALONE. Mr. Chairman, could I call——

Senator KERR. Just one moment. I would like to have his observation.

Mr. VUILLEQUEZ. Yes; you think it is misused.

Senator KERR. Well, what do you think?

Mr. VUILLEQUEZ. I think it should be clarified. I quite agree as it stands it does not mean what I intended it to mean.

Senator KERR. Well, then, you think that rather than being able to document the accuracy of this statement that it might be well to amend the statement to state the facts?

Mr. VUILLEQUEZ. I would like to do both. That is, to——

Senator KERR. If you can do the one, you do not need to do the other.

Mr. VUILLEQUEZ. That is to say, I would like to get the documentary statement and depending on what it says to amend this statement, sir.

Senator KERR. Well, I think that would be well, because this is a pretty serious matter that we have before us. But when you talk about the defense of the United States, that is even more serious.

I want to say that if our country—while I think we have great friends in Mexico and Canada, and I think that is a matter of comfort to us, if you could assure us and establish the accuracy of your statement that they are now equal to the United States for the purpose of the mobilization base of the United States, I think that would be a matter of great comfort to a lot of people. It would to me.

Senator MALONE. Mr. Chairman, if I might carry this one point just a step further, if these nations were to get so mad at us because we tried to protect our labor and workingmen by fixing a duty or excise that made the difference in wages and difference of taxes and cost of doing business, they could, as a matter of fact, within their rights, refuse to allow these exports either in peacetime or wartime: could they not?

Mr. VUILLEQUEZ. Exports of lead and zinc, Senator?

Senator MALONE. Or any other material either in peace or war to us—or to anybody, as a matter of fact.

Mr. VUILLEQUEZ. Well, my purpose, Senator, is to point out that we agree with you that there should be some help in this country, but that there are other ways of doing it, we think, which will not——

Senator MALONE. Well, you have not touched that question yet.

Mr. VUILLEQUEZ. Injure these countries.

Senator MALONE. Could not Canada and Mexico—they are independent; are they not?

Mr. VUILLEQUEZ. Certainly they are.

Senator MALONE. That is, I think Canada is attached to England as—what do they call them?

Senator JENNER. Part of the Dominion.

Senator MALONE. Part of the Dominion. But they have been acting rather independently. If they wanted to shut down the exports of any materials to the United States or Mexico or to England—they did refuse to give England wheat till we gave England the money to pay for it. They would not give it to them.

So could they not at any time do that either in peace or war?

Mr. VUILLEQUEZ. They are certainly independent countries, and they can take any move they want that they feel would be to their national interest.

Senator MALONE. So, as a matter of fact, if they do not consider our defense of their area, we being the only one that we believe could defend it—maybe they do not. And if they do not take that seriously and they do retaliate, could that not be one of the ways of retaliation?

Mr. VUILLEQUEZ. Well, I think they—as you know, Senator, they certainly need our market for lead and zinc——

Senator MALONE. I am not asking——

Mr. VUILLEQUEZ. To a certain extent.

Senator MALONE. I am not asking you that at all. I am asking you if they could not retaliate in that manner.

Mr. VUILLEQUEZ. They could; yes.

Senator MALONE. All right.

Now, I want to point out to you India did that in peacetime. She was supposed to be one of the free nations, and she is free, theoretically. I was there, too, and over in Karachi. One of the methods of fixing up a nation so it cannot last very long when some of these colonial nations leave it is to divide it, so they divided it. They have

India in the middle and Pakistan on each side. So there is no means of communication if they do not care about them communicating.

So it cannot work very long. It is just a question of how long.

But we got dependent on monazite sand from India, without which it is very hard to do the power job on this atomic energy. And they suddenly cut them off, thought we had to sign something else or—luckily we found the monazite sand elsewhere, which we can do in most cases. But what would keep India from cutting off all the manganese we are getting over there in peacetime now? If they can cut off monazite sand, they can just say it is applicable now to a lot of manganese; could they not, in peacetime or war?

Mr. VUILLEQUEZ. They surely could.

Senator MALONE. Well, I am glad that you understand some of the facts of life along this line.

And we are dependent now on some certain other nations for things that we can become, if not entirely independent, very close to it on.

And I commend for your reading—and I think you have read it, because you a little later on quote part of it—Senate Document 1627 of the 83d Congress.

But what we said there was that the Western Hemisphere can be defended, and it can be made self-sufficient, everything we need for war or peace. And we stand on that. It can be done, and very easily, too.

But we did not say that if certain nations like Argentina get mad at us, irritated because we try to cultivate a higher standard of living—and we cannot while we are helping them—we did not say they could not stop sending the stuff. We just said that we can make the hemisphere self-sufficient.

But this has to be a two-way street.

So go ahead.

Senator BENNETT. Mr. Chairman, I would like to raise one more question.

Senator KERR. The Senator from Utah.

Senator BENNETT. During World War II—and I think also during the Korean war—the mining industry in this country was subject to price ceilings. Were similar ceilings imposed in Mexico?

Mr. VUILLEQUEZ. Before we entered the war, Senator, I believe that the Mexican Government passed a regulation that no lead or zinc or copper could be exported to any country except the United States or certain other South American countries provided that they had similar resolutions. I think the Mexican Government had that before we entered World War II.

Senator BENNETT. Did you sell any lead or zinc in the United States during the war from your Mexican properties?

Mr. VUILLEQUEZ. Oh, yes. Very large quantities.

Senator BENNETT. Did you sell it at prices higher than the domestic price ceilings?

Mr. VUILLEQUEZ. They were—I do not remember the figure, but they were lower. They were at or lower than the United States price here.

Senator BENNETT. How was that decision arrived at?

Mr. VUILLEQUEZ. Well, the chief—the only buyer of lead and zinc during World War II—and other strategic materials—was the RFC subsidiary—Metals Reserve Company. The prices that the foreign countries received for their raw materials were—they were negotiations between the interested companies or countries and the Metals Reserve Company.

Senator BENNETT. You are sure they were always lower than the domestic price ceilings?

Mr. VUILLEQUEZ. So far as we are concerned, sir, the contracts we negotiated. I remember the first one, the first contract that was made, was in, I think, 1941 at a time when the ceiling price here was 5.85 cents per pound for lead, and that called for a price of 3.75 cents f. o. b. the Canadian-American border, lower than the ceiling price.

Then I think the price gradually was increased throughout the war until just as the war ended it was 5.4 cents a pound, at a time when our ceiling price here was somewhat higher than 5.85.

It was never higher so far as the production I know is concerned than the American ceiling prices. Usually lower.

Senator BENNETT. Had it been higher, the story might be more dramatic. But the fact that it was always lower would indicate that we did not consider Canada and Mexico as equal to us—your phrasing here.

Mr. VUILLEQUEZ. Well, of course, at that time, sir, we were the only buyer. We just tried to make the best bargain we could.

Senator MALONE. Mr. Chairman, I just want to——

Senator BENNETT. May I just take 1 second to finish this?

Senator MALONE. Yes, sir.

Senator BENNETT. Did that hold true during the Korean war?

Mr. VUILLEQUEZ. No. During the Korean war the Office of Price Stabilization imposed the same price regulations that had existed during World War II. However, the price regulations did not recognize that at that time there were heavy buyers of lead and zinc and copper in Europe which were not available during World War II, and the result of it was that quite a bit of that production, instead of coming here, went abroad, because there was a much higher price available abroad from friendly foreign countries.

Senator BENNETT. Well, then, you lead me down two alleys. Did you actually sell lead and zinc in the United States at prices higher than the Korean price ceilings, or did you just withdraw from the market?

Mr. VUILLEQUEZ. At prices higher?

Senator BENNETT. Were you able to get for your Canadian or Mexican production more money in the United States than domestic producers were paid?

Mr. VUILLEQUEZ. I do not think we sold—well, there may have been some transactions, sir, certain transactions at prices higher than United States price ceilings. Yes, there may have been.

Senator BENNETT. All right.

Mr. VUILLEQUEZ. I do not recall exactly.

Senator BENNETT. Then you have suggested furthermore that we could not depend on Canada and Mexico as an equal part of our mobilization base in the case of a limited war because if European prices were higher you naturally sold your product in the highest market.

Senator JENNER. Sure.

Senator BENNETT. So this material was not safely available to us.

Mr. VUILLEQUEZ. Well, sir, at that time the United States Government apparently did not consider that the metals were needed in this country—that is, the foreign metals—because they put on price ceilings and made no representations whatsoever that they needed it, and the countries did what they thought were—well, they did what a good businessman does—sell where he can get the most money.

Senator BENNETT. Well, I think what you have testified to is pretty good evidence that except in case of all-out war in which the foreign producing countries have a great interest in self-protection they are not dependable for us as a part of our mobilization base.

Mr. VUILLEQUEZ. Well, I think, sir, you should take into account that our industries during the Korean period to which you just referred were never short of lead and zinc. They had as much as they needed.

Senator BENNETT. You mean to say that during that period the American production was adequate for the American consumption?

Mr. VUILLEQUEZ. No, no—well, Canada and Mexico delivered some lead here. They delivered less than previously. Some lead was delivered by—or deferred from deliveries to the stockpile. I am not aware there was any drastic shortage, if any, of lead and zinc to our industries in that period.

Senator BENNETT. No drastic shortage, but whatever was delivered, if I understood your early testimony, was delivered or—the producers were free to get a price higher than the American market if they could get it?

Mr. VUILLEQUEZ. In some cases, sir, the producers got a higher price, but in many cases they sold at the ceiling price. I cannot tell you what the balance is between the two.

Senator BENNETT. I think we have demonstrated that the word "equal" is not a very happy selection in this particular context.

Senator MALONE. Do you want that statement to stand that you first made—that you always made your material available here when we needed it—in Mexico?

Senator KERR. I thought he said, like a good businessman, he sold it where he could get the most money.

Senator MALONE. The first statement he made—that it is available to us.

Mr. VUILLEQUEZ. Yes; I think it is. If we really need it, it is available to us.

Senator MALONE. If we pay enough for it.

Mr. VUILLEQUEZ. No.

Senator MALONE. Did you have any contracts with any organization like the GSA here for lead and zinc during World War II or the Korean war, or at any other time?

Mr. VUILLEQUEZ. During World War II we had contracts with the Metals Reserve Company.

Senator MALONE. What was that price?

Mr. VUILLEQUEZ. I think the first price was 3.4 or 3.75 cents a pound.

Senator MALONE. How does——

Mr. VUILLEQUEZ. It was lower than the ceiling price.

Senator MALONE. It was lower than the ceiling price?

Mr. VUILLEQUEZ. Yes.

Senator MALONE. Will you furnish that price to us after you review it?

Mr. VUILLEQUEZ. I will be very happy to give you the history.

Senator MALONE. I would be glad for you to. Now, this document says on the Western Hemisphere that you can get this material as far as war is concerned. No outside nation can prevent us from getting it in South America. But it did not say, as so well brought out here by the questioning, that they had to sell it to us. We presume a common interest. But we would have to spearhead any national defense of the hemisphere, or, as a matter of fact, any other, if a country wanted to be defended in all-out war they're anticipating with Russia or anyone of that size. But it does not mean that they make it available. And, as a matter of fact, they make it very hard to get. You are going to run into that when you start to answer some of these questions. And I think you are going to find that you sold it over our domestic price in World War II, and I want you to look that up. And I am sure—I do not know you did, but many of them did—paid more for it.

Mr. VUILLEQUEZ. It so happens that I made some of those contracts myself, Senator.

Senator MALONE. Well, I am going to tell you what you are going to find. I am going to have it when they come back here again. And I do not think you are going to get through. We are going to have to go to the floor here. I think you are going to have to come back. I do not know how we are going to figure it out for you. But you have testified to so many things this morning and so much theory that—subject to questioning—I do not know how we are going to turn you loose.

Mr. VUILLEQUEZ. Well, I am here for your——

Senator MALONE. I know you are.

Mr. VUILLEQUEZ. Questioning whenever you want me, Senator. That is what I came here for.

Senator MALONE. I think we are going to have to go to the floor pretty soon, Mr. Chairman.

Senator KERR. Off the record.

(Discussion off the record.)

Senator KERR. I hope you will realize our only purpose is to get accurate information into this record about the legislation before us. You feel comfortable in that?

Mr. VUILLEQUEZ. I certainly do, sir; yes. I had not expected this committee to agree with everything I have here.

Senator KERR. But you had hoped we would agree with something?

Mr. VUILLEQUEZ. I hoped you would agree with something; yes.

Senator KERR. It may be we will find something later that we do.

Senator MALONE. I agree that he is a very smart businessman, and his companies are fully entitled to do what they are doing. I respect him for it. The thing he is doing is showing up the Congress of the United States for transferring this responsibility to a foreign nation under their own act. And I think it is a good, healthy condition for this committee and the Senate. I really do. I appreciate what he is saying this morning. Because he does not know there is any other bible but the State Department and GATT. And he thought Congress was clear out of it, that they have no more authority.

Senator JENNER. And they are.

Senator MALONE. Well, they are, by their own abdication; that is all.

Senator JENNER. But, when they try to take it back, they scream like wounded 'coons.

Senator MALONE. If we start taking it back, the nations are going to get mad and blackmail us and keep us from shipping this stuff. I never did see a fellow who started paying blackmail that didn't finally have to leave the country or shoot the guy.

Senator KERR. Now, you are not talking about the witness?

Senator JENNER. No, no.

Mr. VUILLEQUEZ. I have been wondering, Senator. I have been wondering whether he was talking about me.

Senator KERR. I want to assure you that that remark was not addressed to you.

Mr. VUILLEQUEZ. Thank you, Mr. Chairman.

Senator KERR. No; I did not want you to get the wrong impression.

Senator MALONE. I appreciate a certain levity, because if you cannot laugh at some of the stuff Congress does it will kill you.

Senator KERR. That is right. What do you think about——

Senator MALONE. I want to finish this statement, Mr. Chairman, right now.

Senator KERR. All right.

Senator MALONE. What I think is beneficial to this Congress and beneficial to this committee is that there are people in this country that think this is the law, that it is against the law somehow or another and against ethics for us to take care of our own workingmen and our own industries in this country. And I think that is a very great and valuable piece of information.

Senator KERR. Well, I think one of the values of the hearing, and a very great value, is that the witness is enlightening the committee on what American mining companies have been able to do.

Senator MALONE. That is right.

Senator KERR. With American money, in the production of ores in foreign countries and paying taxes in foreign countries and employing labor in foreign countries, and what effect that has had upon so many segments of our economy.

Senator MALONE. Then, if Congress does not know what to do, the blood is on our own head.

Senator KERR. I think it might be well if the witness wanted to finish this paragraph. It would only take a moment for him to finish it.

Mr. VUILLEQUEZ. Which paragraph is that, sir?

Senator KERR. That is the paragraph after the first sentence of which you now find the place to take up reading again if you take up where you left it.

Mr. VUILLEQUEZ. This is because the exportable productions of Mexico and Canada are available to us by rail, and because of the record of these two countries in supplying us with raw materials during peace and war.

Senator MALONE. Well, now, Mr. Chairman, Senator Bennett's question just brought out the fact it is not available to us on account of the action of the country itself and the producers there. It is available physically. That is what this report says.

Senator KERR. Physically, it could be transported.
Senator MALONE. It can be done, but you have to have the cooperation of these people, and you did not have it.
Mr. VUILLEQUEZ. We had it during World War II. For example——
Senator MALONE. You had it this way: You sold for a higher price. And I am going to bring the prices in and put them in the record.
Mr. VUILLEQUEZ. Not during World War II, Senator.
Senator MALONE. Talking about war. We are not talking about one particular item. And I think you know it just as well as I do. I have to go get it. You are not getting it for us. I am going to get it.
Senator KERR. Go ahead with the next sentence.
Mr. VUILLEQUEZ. For example, during World War II, friendly foreign countries delivered about 2¾ million tons of zinc and about 2¼ million tons of lead. These supplies, which came chiefly from Canada, Mexico, and Peru, were of immeasurable assistance in winning World War II.
Senator MALONE. Came cheaply?
Mr. VUILLEQUEZ. I believe so, sir. Cheaper than our prices here.
Senator MALONE. I think more cheaply than we are getting it now through our inflation, but you are going to find you did not undersell the American market. You oversold it when we fixed a price. And you have already testified, and of course it is a fact, that you have to have the friendship of these countries. It is not available unless they want to ship it. Physically it is available in the Western Hemisphere. I go with you a hundred percent and you quote it a little later on—a paragraph out of this report. We believe that. But we believe that in your own operations, that you have testified to here have been antagonistic to our best interests by shipping abroad and then they ship it back to us in some form.
And, furthermore, our enemies, potential enemies, get it. They got the copper from England and they shipped over there from Chile. Right at the time when we think there is a cold war going on.
That is, I use that "we" in a broad manner. I do not believe it. But there are people that do.
Senator KERR. We will recess until 3 o'clock.
And in the meantime, if you could ascertain the name of the man in the Defense Department who was the authority for this statement, I will appreciate it.
Mr. VUILLEQUEZ. I will do that, sir.
(See letter, p. 275.)
(Whereupon, at 12:15 p. m., the committee recessed, to reconvene at 3 p. m., this date.)

AFTERNOON SESSION

Senator BENNETT (presiding). Ladies and gentlemen, the chairman is involved in the action on the floor, and has asked me to act for him this afternoon.
Mr. Vuillequez, did you not make very much progress this morning?

STATEMENT OF JEAN VUILLEQUEZ—Resumed

Mr. VUILLEQUEZ. I am afraid not, Mr. Chairman.

Senator BENNETT. I wonder if you would consider the idea of offering your statement for the record in its entirety, with the understanding you can then go on reading it, and if we come to the point where we have to break off, we can then decide whether or not it would be wise to bring you back again tomorrow morning.

I hope we can finish this up tonight, and Senator Carlson and I know we will have to leave here about 20 minutes after 4. Unanimous consent on the pending amendment on the floor of the Senate is due to expire at 20 minutes after 4, so we will have to go over there and vote.

Mr. VUILLEQUEZ. Mr. Chairman, I will be very happy to offer my statement for the record, and might I suggest that rather than read it perhaps you would prefer to ask questions about it. I think every one of you has had the opportunity to read it, and it might save your committee's time and everybody else's time.

Senator BENNETT. If you just read the statement without interruption, it would take about 45 minutes.

Mr. VUILLEQUEZ. I am afraid it would; yes.

Senator BENNETT. No question about that.

I am not sure, Senator Carlson, whether you have read it.

Senator CARLSON. I have read it, Mr. Chairman, and I would suggest we make it a part of the record, if there is no objection from Mr. Vuillequez, and if he wants to just discuss certain sections of it without reading it, in order to get the full text in the record. Then questions can be asked, and I am hoping we can conclude this within an hour, if possible.

Senator BENNETT. If there are no objections, then, the statement will be accepted in full for the record, and we will ask Mr. Vuillequez to go back to the point at which we broke off today and go through the statement page by page and summarize the central points that he thinks are important in it, and we will feel free to ask any questions.

Mr. VUILLEQUEZ. Thank you, Mr. Chairman.

(Mr. Vuillequez' prepared statement is as follows:)

STATEMENT OF JEAN VUILLEQUEZ

The committee is no doubt aware that the United States Government in its stockpiles owns large quantities of lead and zinc—in fact, in excess of the original stockpile goals.

The following table shows the production and consumption during 1956 of the United States; of the United States, Canada, and Mexico combined; and of the Western Hemisphere:

[Thousands of short tons]

	United States		United States, Canada, and Mexico		Western Hemisphere	
	Lead	Zinc	Lead	Zinc	Lead	Zinc
Production	848	486	1,246	1,138	1,425	1,341
Consumption	1,190	1,050	1,288	1,125	1,323	1,169

The above figures clearly indicate that the United States is deficient in lead and zinc, that the United States, Canada, and Mexico combined are self-sufficient and that the Western Hemisphere has excess supplies of these two metals.

Appendix A shows the same figures for the 10-year period ending with 1956, including average yearly prices for each metal. It is clear that at no time in the last 10 years has domestic consumption come even within striking distance of domestic needs, despite prices substantially higher than those prevailing today.

Consequently, we believe it is much more correct to conclude that this country's defense depends in important part upon the production of lead and zinc in friendly foreign countries. My company for many years has spent large sums of money exploring for new lead and zinc mines in the United States. We have found none. It is our view that expansion of production at economic costs is much more likely to occur in friendly foreign countries, including our contiguous neighbors, than in the United States. We believe that there will be an increase in the dependence of the United States in peace and in war on foreign supplies of lead and zinc. Therefore, we conclude that from the point of view of our national security, we must do everything possible to assist the growth in economic production of these metals, not only in the United States, but equally in friendly foreign countries. In this connection we quote from the report of the Minerals, Materials, and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs with Respect to the Accessibility of Strategic and Critical Materials to the United States in Time of War and for Our Expanding Economy, No. 1627, of July 9, 1954:

"The Western Hemisphere can be defended and will be the only dependable source to the United States of critical war materials in the event of an all-out war * * *."

"* * * It is imperative to the security of this Nation and to the nations of the Western Hemisphere that we and they foster the greatest measure of self-sufficiency in the production of such materials and continually study all possible devices that will encourage the expansion of hemispheric production in this vital field. It is vital to our domestic welfare, economy, and security that maximum economic production be maintained, first within our own borders and second in the Western Hemisphere * * *."

The proposed legislation would tend to reduce the production of lead and zinc in the Western Hemisphere and, as emphasized in the above-mentioned report, would impair the security of our country.

(2) Another well propagated argument of the proponents of higher tariffs on lead and zinc is that the United States producers cannot compete with the low wage rates of exporters to the United States. This is a generality which has been used by such proponents, but which is based more on emotions than on facts.

During the hearings on lead and zinc of the Tariff Commission in November 1953, the Commission found:

"* * * Reports received for Canada covered operations that in 1952 accounted for 80 percent and 61 percent, respectively, of total Canadian mine production of lead and zinc; reports received from Mexico covered operations that in 1952 accounted for 28 percent and 45 percent, respectively, of Mexican mine production of lead and zinc. The information obtained from foreign producers cannot be published without revealing the operations of individual concerns, but such data made available to the Commission point to some general observations.

"The information available to the Commission indicates that the total principal operating expenses, as well as expenses for wages and salaries, are lower per ton of crude ore mined in the United States than in Canada and Mexico. This appears to be the case even though average hourly earnings of workers are much lower for operations in Mexico than for those in either Canada or the United States, and are slightly lower for Canada than for the United States. The data also indicate that taxes other than income taxes per ton of crude ore mined in Mexico were much higher than in Canada and very much higher than in the United States.

"However, when allowance is made for the differences in the average value of the ores mined in the three countries, as affected by differences in the yield of metals obtained from them, the situation with respect to the foregoing comparison of costs is quite different. Notwithstanding apparently higher operating expenses, and higher expenses for salaries and wages, per ton of crude ore mined in Canada and Mexico than in the United States, these expenses are lower per unit of recoverable metal in Mexico and Canada than in the United States. This helps to explain why, despite higher expenses per ton of ore mined in Canada and Mexico than in the United States, the ratio of net operating profit before income taxes to net sales, as indicated by the data, has in general been more favorable for Canadian and Mexican producers than for United States producers. This ratio was much higher for the reporting Canadian producers than for United States producers for all years covered by the survey (1950, 1952, January-June 1953). For reporting Mexican producers it was much higher than for United States producers in 1950, and in 1952 the ratios were nearly the same, but in the first half of 1953 the ratio was substantially lower for the reporting Mexican concerns than for United States producers."

It is a fact that in most foreign ores the metal content, including co- and by-products such as silver and gold, is higher than in most American mines. It is also a fact that some foreign countries, notably Mexico, impose taxes on the value of production and on exports, in addition to income taxes, which are substantially higher than for companies operating in the United States.

S. 2376 provides for a sliding scale of taxes under which there would be no tax with lead and zinc at 17 and 14½ cents a pound, and up to 3 and 2 cents per pound when prices are less than 15 and 12½ cents for lead and zinc, respectively. These taxes are for pig lead and slab zinc and compare with the present import duty of $1\frac{1}{16}$ cents and 0.70 cents per pound, respectively. The principle of a sliding scale for metals in which we are deficient would injure rather than help the very proponents of this legislation. Exporters to the United States would tend to withhold supplies when the tax is high and to increase such supplies when the tax is low or completely removed. This would mean that the prices of these metals would fluctuate widely and frequently. There would be frequent periods of shortage and oversupply. Consumers would lose confidence in lead and zinc. Lead and zinc consumers have been critical in the past of the wide fluctuations in the prices of these two metals. These past fluctuations were not due to policies of importers or of domestic producers, but to conditions beyond the control of the world industry, such as Korea, stockpiling policies, and the on-again-off-again purchase program against sales of surplus agricultural products. These fluctuations would encourage consumers to design away from lead and zinc and, therefore, would discourage consumption of these metals.

It is, furthermore, our view that the prices used in S. 2376 were not determined by objective, open-market considerations. The market for lead and zinc has been supported by the United States Government, first in its strategic, stockpile-purchasing program, and second in the purchases against sales of surplus agricultural products. The prices in S. 2376 are not realistic. If such legislation is passed, the prices should be based closely on the economics of lead and zinc production and consumption. In our opinion, these economics would call for prices substantially lower than 17 cents for lead and 14½ cents for zinc. Present prices in London reflect approximately 12½ cents per pound for lead and 10 cents per pound for zinc in the United States. If this bill is considered necessary, the prices should be lowered substantially, close to the present market. Furthermore, it is our view that fixed prices are impractical. There should be a provision for periodical review and change of such prices in accordance with changes in market conditions.

S. 2376 would not help the small, marginal mines in the United States. These mines require substantially more protection in order to be competitive with the large mines in the United States and abroad. The large mines in the United States, in our opinion, do not require any protection vis-a-vis foreign mines. In other words, S. 2376 would guarantee a higher price to large and competitive United States producers at the expense of American consumers and friendly foreign countries. The proposed legislation would increase the prices of lead and zinc combined in the United States by about $75 million per annum, based on 1956 consumption. This huge amount would be paid by our consumers. This legislation would not assist that small segment of the domestic lead and zinc mining industry which is not competitive with foreign or larger domestic mines. The large United States mines would receive a windfall they do not need.

If the administration and Congress feel that it is necessary to protect United States lead and zinc mines, then there is available another method, which would not injure our foreign friends. Here we refer to a plan of direct subsidies. One plan which suggests itself to us, but which we do not submit as the only solution, is as follows:

(a) A study should be made to determine the approximate economic prices for lead and zinc. Such determination should be reviewed periodically. Each metal should be treated separately. Uneconomic mines should not be subsidized. We use the word "uneconomic" to mean mines whose costs do not permit them to compete successfully against available substitute materials.

(*b*) In the event the price of the metals falls below the determined economic price, a subsidy would be paid to all producing mines pro rata to the decline in price. This subsidy should not be more than one-half cent per pound for each 1 cent per pound that the price declines below the determined economic price.

(*c*) During the periods when the subsidy is payable, a portion of the metals subsidized should be purchased by the United States Government for permanent stockpiling. This is a most important proviso, which is essential, otherwise the subsidy plan would penalize efficient producers. Stockpiling should start after the price declines by, say, 1 cent below the determined economic price, and the tonnages stockpiled would increase as the market price decreases. There should, however, be an upper limit on the tonnage to be purchased by the United States Government for stockpiling during any 1 year.

(*d*) The uneconomic mines could be kept on a standby basis, if necessary, by Government assistance, so that these future assets would be available when needed for emergency reasons or when they become economic through changes in prices or technological advances in beneficiation.

This plan is impartial, simple, would require a minimum of administrative expense; the cost of it would be easily measurable, and it recognizes that certain lead and zinc mines are uneconomic. If the determined economic prices are reasonable, there should be no premium on inefficiency and this plan would not have the discouraging effect on consumption of lead and zinc which high tariffs would bring about. Furthermore, the tonnages which might be stockpiled under the above plan would be purchased by the United States Government at low lead and zinc prices.

We well realize that some, if not all, of the domestic lead and zinc industry are opposed to a subsidy program. They prefer higher tariffs. At the same time, if the intention is to help the mines which need assistance, then only a subsidy will be effective. Any tariff designed to help the small, marginal mines in the United States would have to be so high that it would discourage the use of substantial quantities of these metals in favor of substitute materials, such as aluminum and plastics.

A subsidy program for lead and zinc was considered in 1949, but was not acted upon. At that time Mr. Andrew Fletcher, president of the St. Joseph Lead Co., in two letters to Senator Joseph O'Mahoney, opposed subsidies and said, in part:

"It is particularly significant that the bills so far offered in Congress are principally sponsored by noncompetitive or marginal mines which are unable to operate profitably at today's nonferrous metals prices, despite the fact that prevailing prices are well above prewar levels. * * *

"There will always be mines that cannot operate profitably at any price level—be it high or low, and there have always been mines that have and will operate intermittently. * * *

"Hisory is full of examples of Government intervenion with free markets—all of them ending disastrously or severely restricting the principles of liberty. * * *.

"It is next to impossible for even the most competent mining engineer to determine whether a mine, if shut down, would mean a permanent loss of its remaining reserves. Mining history is full of examples of mines reopened after many years of inactivity. * * *"

A tariff or excise tax is even more injurious than a subsidy. It penalizes all consumers. It is a hidden tax. Furthermore, in the case of lead and zinc, it would injure the economic well-being of our friendly neighbors whose production we need for our national security.

United States Government policies are chiefly responsible for the wide fluctuations in the prices of lead and zinc over the last few years and for the present depressed prices. The United States Government has continually tinkered with the market by on-and-off purchasing policies for the strategic stockpile and against sales of surplus agricultural products. The result is that both metals are now overproduced. Present lead and zinc prices are low not only for domestic but also for foreign producers. They, too, cannot live at present realizations. Uneconomic production here and abroad should be allowed to decline. In fact, production in foreign countries is now also being reduced. The best solution is to leave the market alone. The free play of supply and demand will eventually bring about a proper balance between economic production and demand. The large economic United States mines have always been able to compete with foreign mines, and there is no reason why they cannot continue to do so.

C. For the proper discharge of my responsibilities with the American Metal Co., Ltd., I frequently travel in many countries. I have visited Canada, Latin America, Europe, Africa, and from time to time the Far East. Practically all businessmen in these foreign countries find it impossible to understand the economic policies of the United States. They say, on the one hand, we are willing to give, and on the other hand we wish to take away. As an example of policies which are difficult, if not impossible, for any foreigner to follow, I quote the headlines of certain articles which appeared in the New York Times of May 31, June 1, and June 2, 1957:

(1) "British Ease Curb on Peiping Trade Despite United States View."
(2) "Tung Oil Tariff Urged."
(3) "Britain Protests Curb on Woolens."
(4) "Knowland Says Britain Aids Foes by Move on China."
(5) "Soaring Exports Uphold Economy—Foreign Sales Up 28 Persent, Are a Bright Spot in a Cloudy Business Picture—Farms, Industry Aided."

It is particularly difficult for our foreign friends to understand our present position on tariffs if we examine what appears to them to be a statement of intent of the United States as expressed in S. 2130, from which I quote:

"SEC. 201. DECLARATION OF PURPOSE.—The Congress of the United States recognizes that the progress of free peoples in their efforts to further their economic development, and thus to strengthen their freedom, is important to the security and general welfare of the United States. The Congress further recognizes the necessity of assistance to such peoples if they are to succeed in these efforts. The Congress accordingly reaffirms that it is the policy of the United States, and declares it to be the purpose of this title, to assist, on a basis of self-help and mutual cooperation, the efforts of free peoples to develop their economic resources, increase their productive capabilities, and raise their standards of living."

Secretary of Defense Charles E. Wilson testified before the House Ways and Means Committee in connection with the renewal of the Trade Agreements Act. Mr. Wilson's statement included the following comments:

"It is important that we keep in mind the fact that the Communist threat in the world today is based upon more than an outright military threat. It includes an equally serious threat in the economic, the political, and the propaganda areas.

"The ideal thing would be for the people of the various nations of the world, and particularly of the free world, to develop the resources of their countries, producing the things they can do the best and exchange such goods and services with other nations. In this way the living standards of all nations can be raised more rapidly than if each nation tries to live on its own production and resources alone. The peoples of no free nation should be so restricted to the particular resources and production available in their own countries that they cannot balance their economies and maintain basic living standards for their people.

"To achieve this result trade barriers should be reduced to the extent practicable and all artificial restrictions eliminated * * *.

"In the consideration of our own defense we must carefully consider how improvement of our trade relations with our allies and friends can be turned to real account in helping both ourselves and our allies. To do this we must move in the direction of removing unreasonable restrictions to international trade. We need our allies. In spite of our tremendous strength the United States cannot go alone in this modern world. This is no admission of weakness; it is a recognition of realities. The whole free world needs the collective and united strength of all of its members * * *.

"International trade must be a two-way street. Such trade provides the most effective way to improve our relations with our allies on a long-range basis. It is just as important as any military agreements which we might work out. Military agreements alone will not maintain friendship between peoples and nations."

The countries which exported important quantities of lead and zinc to the United States, purchased from the United States during 1956 about $5 billion of products including food, agricultural products, chemical products, fuel, construction and electrical equipment, machinery, automobiles, aircraft, and a host of other products, chiefly manufactured. We believe that this committee should ask our State Department what the reaction of such exporters of lead and zinc has been to this proposed legislation. In contrast to these large purchases in the United States, the same countries have sold the United States less than $200 million worth of lead and zinc, or less than one twenty-fifth of their purchases from us. It is our opinion that if this proposed bill becomes law, the countries penalized will examine closely how they can recover the penalty.

We think that our manufacturing industries in order to compete here and abroad should have access to the cheapest raw material. It is our view that to increase the cost of raw materials in which we are deficient by higher tariffs is to give manufacturing industries in foreign countries a competitive advantage over United States manufacturers.

Our need for unimpeded growth of production of strategic materials in the Western Hemisphere is unquestionable. Our country is deficient in raw materials produced by our friendly allies and particularly by our Western Hemisphere friends, including our neighbors Canada and Mexico, whose production is available to us by land transportation. They have served us in peace and in war. We are their best customers for raw materials and they, like good suppliers, want to retain us as such provided we do not drive them away to other outlets, outlets which may be unfriendly to us. We must prove conclusively that the proposed legislation is essential to the national security of the United States and therefore explain with valid, objective reasons why our foreign friends will not be allowed to supply us in the future as they are today and as they did in World War II. If there is a sound reason involving national security for this proposed legislation, then I think our supplier friends will understand our action because our national security is as important to them as it is to us. Our security in a very real sense is their security.

Unless we can prove that our security, and therefore theirs, is at stake, then our foreign supplier friends will recognize this proposed legislation as a clear demonstration that the United States is bent on exacting tribute from them, yes, slave wages, for their services in supplying us with raw materials in which we are deficient. They will know that there are other ways and means open to us if our objective is merely to assist certain marginal producers of lead and zinc in the United States. They would know that they cannot depend on us to practice the liberal trade policy that we preach and they would search for ways and means to divorce themselves from us, both as customers and as suppliers.

This proposed legislation, in our opinion, would indicate unmistakably to our foreign friends who supply us with lead and zinc in peace and in war that we just desire a revenue bill designed to enrich the United States Treasury and certain large, prosperous mining interests in the United States at the expense of our consumers and of our supplier friends abroad. If there are mines in this country which justify Government assistance, then let us find other ways and means, and there are such, which will give them the assistance needed without penalizing our consumers, impairing our national security, and alienating our friendly supplier friends and good customers.

APPENDIX A.—*10-year comparison lead production, consumption, and price*

[Thousand short tons]

Lead	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
United States:										
Production and secondary recovery	896	890	822	913	906	861	829	806	840	848
Consumption	1,172	1,134	958	1,238	1,185	1,131	1,202	1,095	1,213	1,190
United States, Canada, and Mexico:										
Production and secondary recovery	1,314	1,281	1,213	1,328	1,301	1,288	1,255	1,252	1,264	1,246
Consumption	1,247	1,202	1,018	1,303	1,250	1,195	1,278	1,176	1,302	1,288
Western Hemisphere:										
Production and secondary recovery	1,409	1,388	1,331	1,456	1,452	1,444	1,419	1,409	1,436	1,425
Consumption	1,304	1,252	1,072	1,373	1,320	1,240	1,319	1,237	1,349	1,323
Free world:										
Production and secondary recovery	1,939	2,017	2,072	2,297	2,340	2,364	2,281	2,455	2,559	2,562
Consumption	1,924	1,845	1,715	2,125	2,138	2,050	2,220	2,309	2,466	2,474
Average price: (cents per pound)	14.673	18.043	15.364	13.296	17.500	16.467	13.489	14.054	15.138	16.013

10-year comparison zinc production, consumption, and price

[Thousand short tons]

Zinc	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
United States:										
Production and secondary recovery[1]	555	661	662	556	595	612	482	442	461	486
Consumption	780	845	785	1,020	935	870	1,040	915	1,175	1,050
United States, Canada, and Mexico:										
Production and secondary recovery[1]	984	1,060	1,018	1,070	1,105	1,197	1,006	1,028	1,140	1,138
Consumption	844	807	847	1,085	1,014	932	1,100	974	1,250	1,125
Western Hemisphere:										
Production and secondary recovery[1]	1,067	1,086	1,112	1,192	1,250	1,374	1,271	1,217	1,350	1,341
Consumption	891	917	873	1,112	1,044	959	1,125	1,017	1,290	1,169
Free world:										
Production and secondary recovery[1]	1,542	1,636	1,831	1,892	2,106	2,318	2,334	2,293	2,473	2,553
Consumption	1,635	1,693	1,782	2,090	1,990	1,805	2,011	2,205	2,536	2,369
Average price (slab zinc, East St. Louis) (cents per pound)	10.500	13.589	12.144	13.866	18.000	16.215	10.855	10.681	12.299	13.494

[1] Deducting ore used directly to make oxide.

Mr. VUILLEQUEZ. There is one thing on page 2 I wanted to explain, in view particularly of a question that you asked yesterday, and that is in connection with the statistics of production and consumption which we show, particularly——

Senator BENNETT. That is right.

Mr. VUILLEQUEZ. On appendixes A and B, well, just A, for the free world.

The consumption figures that we show do not include tonnages stockpiled either by the United States Government or the British Government.

Senator BENNETT. I assumed that; yes.

Mr. VUILLEQUEZ. Nor do they include, in the case of lead, certain quantities of lead produced in the free world which, however, went to other than free world countries.

For example, during certain of that period, 1947–56, some of the Yugoslav production and other production went to the Russians and other Iron Curtain countries. They are included as production, but the consumption is not shown there as a consumption figure.

I think if you will take those into account, you will find the production and consumption figures come out just about right, after including United States and United Kingdom Government stockpiles. That is, there was no consistent overproduction during that period.

Senator BENNETT. Now you are losing me, because I am looking at lead, appendix A.

Mr. VUILLEQUEZ. Yes.

Senator BENNETT. And in every one of those sections, production exceeded consumption.

Mr. VUILLEQUEZ. Yes.

Senator BENNETT. Even without including the stockpile figures.

Mr. VUILLEQUEZ. That is right. If you add the stockpile figures to the consumption—incidentally, I would like to remark here that the stockpile figures are supposed to be classified. I think anybody in the industry who wants to use a pencil and paper can figure out approximately what they are.

I think it would be a good thing if that information were declassified, so far as lead and zinc were concerned, because sometimes decisions are made without that information available, which might not be made if people had that figure easily accessible.

But according to our estimate, and that is not the official figure, which I do not know, but according to our estimate, over the 10-year period you would have to add to our total consumption figure, which I have added here in the case of lead, to 21,853,000 tons you would have to add 587,000 tons which it appears, from the available information, statistical, went into the stockpile, either here or in the United Kingdom or other countries in the free world.

That would leave an excess production for the 10-year period of about 346,000 tons, which we believe represents deliveries to Iron Curtain countries or United Kingdom Government stockpiling, which is not reflected in the figures that I have here.

Have I explained it to your satisfaction, Mr. Chairman?

Senator BENNETT. Yes; I understand your point.

Mr. VUILLEQUEZ. The same thing is true of zinc. The difference between the consumption and the production is largely deliveries to the stockpiles, which we do not consider as true consumption.

Senator BENNETT. No; they are obviously not consumption. They are setting there available for consumption at some later time or, if conditions change, they might actually come back on the market.

Mr. VUILLEQUEZ. Mr. Chairman, I would-----

Senator CARLSON. Before you leave that, may I inquire?

Mr. VUILLEQUEZ. I am sorry, sir.

Senator CARLSON. I assume from the statement and testimony here, that this 346,000 tons you say is in excess.

Mr. VUILLEQUEZ. Well, it is not in excess, sir. It is deliveries which were made to countries other than in the free world or for the stockpiles of countries other than the United States, which we do not know, we cannot reckon statistically, we just do not know.

Senator CARLSON. But that is an excessive amount which affects the market.

Mr. VUILLEQUEZ. No; it did not, sir.

Senator CARLSON. It did not?

Mr. VUILLEQUEZ. Because it was either sold to Iron Curtain countries and it was off the market, or it was purchased by the United Kingdom Government and taken off the market.

Senator CARLSON. I see.

Senator BENNETT. Before we leave page 1, I am sure we spent all the time we should spend on this subject of price, but I have the impression that your company probably received rather substantial premiums over the American fixed price during the Korean conflict, so that you had some advantages in those years that the American producers did not have.

I have been told that the sixth annual report of Tsumeb—is that its name?

Mr. VUILLEQUEZ. Tsumeb; yes. It is a company in which we have a large financial interest in southwest Africa.

Senator BENNETT. Contained in its sixth annual report the flat statement that it received approximately 29 percent more for the South African production than the United States fixed price.

I think it would be well for the record if you could furnish to us figures showing your sales from foreign producers in the United States during the period of the Korean war. I do not know whether you can break it down by contract and price, but I think the committee should know how much of a premium we had to pay in order to have the benefit of this so-called mobilization base, from other than the completely domestic production.

And if that is available, and I think it must be, I suppose we can get it from the appropriate Government agency.

Mr. VUILLEQUEZ. I do not think you could, but we will be very glad to make it available, sir.

Senator BENNETT. That is fine. I think it would be wise for us to have it.

Mr. VUILLEQUEZ. I would not like to make it available for the record. I would prefer to have it available for the confidential information of the committee, if I may. I think it might affect certain competitive questions that should not be publicly available.

Can we arrange it that way, sir?

Senator BENNETT. Let us do it this way: Since I am not the chairman, may I say that we should like to have it offered to the committee for its confidential information, with the understanding that if the committee feels that it should be public information, you will be given an opportunity to discuss that matter with us before any action is taken.

Mr. VUILLEQUEZ. Thank you. Under those conditions, we will be glad to make the information available.

(The information was subsequently submitted for the committee files.)

Senator BENNETT. Is there any additional information on page 2 you wish to present?

Mr. VUILLEQUEZ. The only question on page 2 is that in the paragraph which begins with appendix A. An error crept in, in the second sentence. Where we say "consumption," it should be "production."

Senator BENNETT. I caught that when I read it.

Mr. VUILLEQUEZ. And I would like to apologize for that. The only excuse I have is that we heard about these hearings very late last week, and I had to work on Saturday and Sunday, and somehow or other, it was too quick.

The other comment that I would like to make on page 2 is with respect to our statement that we have found no lead mines or zinc mines in the United States, although we spent large sums of money exploring for them.

I would like to amplify that by stating that we did find some ore bodies which, unfortunately, we did not consider economic, either due to the grade of the ore being too low, or because the tonnage of ore was too small.

Senator BENNETT. Were those bodies in the tristate area, or in the western area?

Mr. VUILLEQUEZ. One of them was in the tristate area.

Senator BENNETT. The rest were in the western——

Mr. VUILLEQUEZ. One of them was——

Senator BENNETT (continuing). Mountain area?

Mr. VUILLEQUEZ. One of them was in Idaho.

Senator BENNETT. Yes.

On page 3, you are quoting from the same report—well, no, you are quoting from a report of the Minerals, Materials, and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs.

I assume that that is the report from which Senator Malone has been quoting.

Mr. VUILLEQUEZ. That is correct, sir.

Senator BENNETT. As I read it, I ran across this statement, which is the last sentence in your quotation:

> It is vital to our domestic welfare, economy, and security that maximum economic production be maintained, first, within our own borders, and second, in the Western Hemisphere. * * *

I think that represents the relationship between these two potential sources of supply that concerns most of the members of the committee, and I think that puts the two sources in relationship.

Would you agree with that, that we should maintain maximum economic production, first, within our own borders, and second, in the Western Hemisphere?

Mr. VUILLEQUEZ. Yes, sir; I would. And, as I believe I mentioned previously, we do not question but that assistance is needed in the United States at the present time. We merely question the method of that assistance.

Senator CARLSON. Mr. Chairman, right on that point, and following into the next sentence, which is the statement of the witness:

> The proposed legislation would tend to reduce the production of lead and zinc in the Western Hemisphere and, as emphasized in the above-mentioned report, would impair the security of our country.

How do you contend that this legislation would tend to reduce the production of lead and zinc in this Nation?

Mr. VUILLEQUEZ. Because the zinc price of today, not necessarily the lead price, I think the lead price is still a reasonable price—the zinc price in particular is a low price. I do not believe that enough zinc can be produced in the world to satisfy the United States and other demands, at 10 cents. It has to be higher.

At the same time, under present conditions, the zinc and lead markets are overproduced, and it will take some time before the balance between production and demand is restored, and I believe that this legislation would not increase the prices of lead and zinc in the United States particularly, except perhaps by a small part of the increased excise taxes. It would merely reduce the prices for foreign zinc and foreign lead at the present time.

It is possible that when the balances are restored between production and consumption, it might increase the prices here to the extent that this legislation would like to have accomplished, but I doubt it.

I think it would have the effect merely of reducing the foreign prices, especially at this time. That is why I say that.

Senator CARLSON. Mr. Vuillequez, we have had testimony here during the past few days that there are operators in this country whose mines are now closed, that could operate under this legislation. Would that not increase the supply in this Nation?

Mr. VUILLEQUEZ. I do not believe that is the case, sir. I believe that the prices under this legislation in this country would go up much less than they think, until the balance, a proper balance is restored between world production and world demand.

And, gentlemen, you must not forget that the lead and zinc markets are not just an American market. They are world markets.

Senator BENNETT. Well, I understand that, but the thing that I think has been said or hinted at over and over again in these hearings is, or at least the feeling on the part of some members of the committee is, that in the present stringency, without any change in the law, the American mines will close down, some of which will never be able to open again because of the practical problems involved; while the foreign mines, with lower operating costs, will continue to operate, and when the time comes that the market has been balanced and prices go up again, it will be the foreign mines that are ready to take advantage of the new business, the American mines having been pretty well put out of business in the meantime.

Mr. VUILLEQUEZ. Well, sir, I think it is true that the reason for the drop in production in the United States over the years has been the lowering of the grade of the ore bodies in this country. I think it is true that because of the excessive demand here, we will have to depend on what I call economic production from here and abroad.

And by "economic," I mean a production which can compete with substitute materials like aluminum. I think you may know that aluminum has already taken quite a bit of the market away from lead in cables and zinc in diecastings, and there is a limit at which, if the prices here reach that limit, the consumption will go down.

Senator BENNETT. Do you believe that the prices which would be produced by this particular legislation are in excess of that limit?

Mr. VUILLEQUEZ. I think they well might be, yes, particularly in the case of zinc.

Senator BENNETT. You think a 14½ cent price for zinc would price zinc out of the market or tend to price zinc out of the market?

Mr. VUILLEQUEZ. What is happening so far as the competitive position of zinc is concerned, is that the price of secondary aluminum is declining. The chief competitor for zinc in diecastings is secondary aluminum, not primary aluminum, and the market for aluminum, as you know, is soft.

If the zinc price goes up to the 14½-cent price mentioned here, to which you have to add 1¾ cents to get the price of the special grade that goes into diecastings, I think that the diecastings made from secondary aluminum would be very much encouraged to take the place of zinc.

Senator BENNETT. Before we get through, we probably will have representatives of the diecasting industry.

May I say, Senator Malone, before you came in, we have agreed that the entire statement is in the record, and we are discussing it with the hope that when we finish, when we are called to the floor at half-past 4, approximately, we will be through with this particular phase of the hearing.

Senator MALONE. Yes.

Could I ask a question?

Senator BENNETT. Yes.

Senator MALONE. On these diecasting companies, and I have visited some of the plants there, they have made great progress in diecasting in the last 10 or 15 years.

Mr. VUILLEQUEZ. Yes, very much.

Senator MALONE. They prepare the grill for many, if not practically all of the automobiles now, do they not, that front grill, and a lot of byproducts?

Mr. VUILLEQUEZ. I am not sure that they are practically all the grills, Senator. I think some of the grills are made of stampings, not diecasting.

Senator MALONE. The more expensive ones.

Mr. VUILLEQUEZ. Stainless steel stampings.

Senator MALONE. It used to be almost altogether stainless steel. Of course, I am out of my field, and when you are out of your field, you can talk freely, with no responsibility. [Laughter.] But I think stainless steel was doing pretty well in their stamping until the diecasting came along, and it was so much cheaper and looked just as well, although not quite as solid if you had a collision, and they practically took over the business, did they not?

Mr. VUILLEQUEZ. Diecastings?

Senator MALONE. Yes.

Mr. VUILLEQUEZ. They have taken a good part of it.

Senator MALONE. We have quite an elaborate statement here from the diecasting people, and I am very sympathetic with the diecasters. I know some of them, and I know they have certainly done a fine job. But they use quite a bit of zinc as their raw material, do they not?

Mr. VUILLEQUEZ. Yes, sir.

Senator MALONE. What else do they use?

Mr. VUILLEQUEZ. Aluminum.

Senator MALONE. Aluminum and zinc.

Mr. VUILLEQUEZ. Yes.

Senator MALONE. When you talk of some material taking the place of the zinc, you assume, of course, that the aluminum and all the other products are going to remain the same?

Mr. VUILLEQUEZ. The same in what sense, Senator?

Senator MALONE. Well, practically the same price, while zinc would go up, in accordance with the tariff or excise tax.

Mr. VUILLEQUEZ. Yes. Well, you see, right now, aluminum, especially secondary aluminum, the price is going down.

Senator MALONE. Yes. Now we import a good deal of aluminum from Canada, do we not?

Mr. VUILLEQUEZ. I think so; but I am not knowledgeable on primary aluminum.

Senator MALONE. I am back in my business now, so I will tell you that we do, and the United States of America put up the $50 million, or whatever it took, to start the aluminum industry up there, maybe not start it, but I think they built a dam—I am not sure of that—for power, and furnished the money to the Aluminum Corporation of America to build one of the largest plants in the hemisphere up there, did they not?

Mr. VUILLEQUEZ. I do not know, sir. I am sorry.

Senator MALONE. Well, let us assume that at least American money had a lot to do with it, and you can count on that like you can in Mexico.

Do you not think that a policy or principle that some of us have been discussing here, on imports just making the difference between the labor costs and the cost of doing business here and abroad, whether it is in Canada or somewhere else, so that it brings it in here on our standard of living of wages and taxes—they escape taxes, too, up there; that is, they do not help maintain our American institutions at all when you fellows go out of the country.

Why, we have held very extensive hearings here. Even our oil companies, God bless them, and they are some of the best in the world, every time they go over to Arabia, every time it looks like we will get a couple of dollars for taxes, why, they raise the taxes over there just to equal the amount, the difference, you know, that you described this morning, so we do not get any. So, we are getting pretty helpless here.

But if a policy were adopted, not only on zinc and lead, this is only a drop in the bucket out of perhaps 5,000 products that are now coming in, and in doing it there are between $30 billion and $40 billion of American capital going abroad and doing exactly what you are doing. And then, in addition to that, we have put about $60 billion into these nations to help build these plants and buy their groceries and other things.

Now, we are an impulsive people, and we are a kindly people, and our hearts go out to people in undeveloped areas, they call them, and people who have a lower living standard. But without going much further into that, there are 600 million people in India who have no living standard and have no standard of living, and the same number of Chinese, and the kind of talk you have put out here, we are going to help all these countries and bring them all up to us.

Not many of us believe that—but suppose now we do get our feet back on the ground and we take this away from Geneva, the regulation of our foreign trade, by merely not doing anything next June, and it returns to the Tariff Commission, an agent of Congress, and all these products come back under it, as these trade agreements expire, which they do, take my word for that; I am back in my business now.

Then you not only are regulating the lead and zinc, but you are regulating the aluminum, on the basis of fair and reasonable competition.

So, would that not have a tendency to prevent the aluminum from taking the place of this zinc?

Mr. VUILLEQUEZ. I do not think it is possible to fix prices, even relative prices between various materials, which will fix a consumption relationship between them. I think that——

Senator MALONE. That is not what I said.

Mr. VUILLEQUEZ. That is what I understood you to say.

Senator MALONE. No. What I said was that there would probably be a tariff to make the difference in the labor costs and the costs of doing business on aluminum as well as zinc, and then the relationship will find its place in the sun through its workability and through its durability and its fitness for the job. But the rise in the price of zinc due to the difference in the wages, and the rise in the price of aluminum due to the difference in the wages, there might not be too much difference, and that the level, the general policy applying to all would have a tendency to prevent just what you are talking about, would it not?

Mr. VUILLEQUEZ. It might, Senator, but I do not think it will.

Senator MALONE. Well, I know; I have had your opinion here on a lot of things, and I am glad to have it on this, although so far it has not carried very much weight with me, because I think you are entirely tied up with the one idea, and that is what you have to have is a tariff on what you sell, and you have free trade on what you buy. Let me ask you another question: Is there any tariff or duty on these grills, or on the finished products that are made out of zinc and aluminum in this country?

Mr. VUILLEQUEZ. On the materials entering this country?

Senator MALONE. The same type of materials entering the country; yes.

Mr. VUILLEQUEZ. I think so, but I do not know for a fact. I think there is.

Senator MALONE. For your information, I will tell you there is, and it is being regulated, had been regulated up to the time of the 1934 Trade Agreements Act, and they have been powerful enough, or lucky enough, or something, to keep it. So that most manufacturing products do have it. For example, we had a fellow in Philadelphia who got quite a spread in the newspapers here about the tungsten; he owned a tungsten mine, but he did not want a tariff on tungsten. It developed his chief investment was in tungsten carbide, and he had a 42-cent-a-pound—I may be off a few cents—around a 40-cent duty a pound on tungsten carbide, plus a 10-percent ad valorem. You know what an ad valorem is, do you not?

Mr. VUILLEQUEZ. Yes, sir.

Senator MALONE. And, therefore, if he lost that, he was out of business. But he wanted to buy the tungsten at a foreign price, $15, $20, or $25, whatever it be, a unit, and did not want any tariff or any fixed price on tungsten.

I remember we had a brass company, I forget the name of the company, it is up in Connecticut. You said you lived up in Connecticut, so you probably remember what brass company it is.

I was not on the committee then, but they were kind enough to let me question him a few minutes. So I asked him, "Do you want free trade on copper?" And I am in the engineering business, have been all my life, so I said, "Copper is about 60 or 70 percent of your raw material?" And he said it was.

"You want free trade on it?" He said, "Yes."

And I said, "Now, on your brass products, I have checked that, and you have something between a 12½- or 15-percent to a 60-percent duty on all your brass products." I said, "Do you want to have free trade on brass products?" And he has not been back since.

So the thing is clear that all you fellows over there in New York, and it is not confined to New York, it is confined, though, mostly to the investment centers, what you want is free trade on the products you use to manufacture the stuff, and a tariff on what you sell, to keep you in business and pay the wages.

Mr. VUILLEQUEZ. I think that is clear, Senator, and I think a good argument can be made for it.

Senator MALONE. Of course it is clear.

Go ahead and make it.

Mr. VUILLEQUEZ. I think if we cannot produce in this country enough raw materials to satisfy our manufacturing industry, including the brass product you just referred to, you can justify a tariff on the importation of the brass products—there is much more labor in that—and at the same time have no tariff or a light tariff or very little protection against the importation of the raw materials.

Senator MALONE. Now you are in my business again, so I am going to explain that to you.

There are thousands of copper deposits in the United States of America, and many of them, if you put a tariff or a fixed price on copper, which makes up the difference in the labor cost here, effective labor cost here, and in the chief competing nation and the cost of doing business, you will be producing so much copper you will not know what to do with it, right around the country here.

Mr. VUILLEQUEZ. At what price would the copper be produced?

Senator MALONE. At just what I am telling you, just the difference between the labor cost and the cost of doing business. That is all they need.

Mr. VUILLEQUEZ. Because if that price were in the order of 35 cents a pound or more, then, in my view, copper would lose a lot of uses to certain other materials.

Senator MALONE. Well, you must watch the market. You know copper went to 55 cents a pound.

Mr. VUILLEQUEZ. Yes.

Senator MALONE. After they got the free trade on it.

Mr. VUILLEQUEZ. Yes. We deplored that high price. We thought it was much too high.

Senator MALONE. I know you must have deplored it, but you did not have anything to do with it. You were not producing copper, so the thing is, there was so much made here before this committee that a 2-cent tariff meant $40 a ton, and it was then 24 cents. Well, then it went twice that, it raised 28 cents or 29 cents. How many dollars a ton is that?

In other words, a tariff does not have anything to do with the finished product.

You take your tungsten, take your manganese, take many of these things you are talking about. They have very little to do with the price of the end product, if you will follow it through.

It only does that when you make general statements like you are making. I would like to have it figured out for me just what difference a cent a pound on zinc would make in the cost of a finished grill on an automobile. If you could do that, it would be very helpful to the committee.

Mr. VUILLEQUEZ. I am afraid I could not.

Senator MALONE. Of course you cannot.

Mr. VUILLEQUEZ. But I can get it for you.

Senator MALONE. Well, get it.

Mr. VUILLEQUEZ. I can get the information.

Senator MALONE. I know it will not amount to anything, percentagewise, and everybody else does, but it sounds good in a statement like you are making.

So what I was telling you a while ago, we are not talking around here today about two products. This committee is concerned with 5,000 products, and they have to discuss it when it comes up in a bill, and the Tariff Commission is concerned with 5,000 products.

So if you are going to have free trade on everything, that is, the raw materials that you use, and a tariff on what you buy or what you sell, that is one thing. But if you are going to follow that through and have it on each of the things that you produce here, then one product is not so likely to displace another one in price, because you are going to talk about aluminum in a tariff just like you are going to talk about zinc.

All these general statements, I have listened to them here, this is the 11th year, and as a matter of fact, Congress has voted for it, too, for 11 years, but I think they are about through with it because they are getting to understand it better.

Go ahead.

Senator BENNETT. I would like to return to this same question the Senator is talking about.

I, too, have sat in committee hearings where representatives of fabricating industries have come before us to tell us that they needed tariff protection in order to protect the wages of the skilled labor in the fabricating industry.

What is the proportionate share of the cost, what proportionate share do wages play in the cost of mining?

Mr. VUILLEQUEZ. I had hoped to have that information for you with me, compared with the fabricating, but I do not have it. But again, I think I can give you certain information on that.

(At the time of printing Mr. Vuillequez advised the committee he had been unable to secure the desired information but would continue in his effort to obtain it.)

Senator BENNETT. Do you not think it is approximately the same?

Mr. VUILLEQUEZ. No. The labor cost through the fabricating stage is much greater than through the production of the refined metal, I think.

Senator BENNETT. It will be interesting to see, but I think the Senator from Nevada has put his finger on another important point. I wish my memory were as good as it should be, but I sat in another set of hearings a year or so ago, when an attempt was made to take the protection off of the price of silver, with the thought that maybe the price of silver to the fabricator might go down as much as 10 cents a pound.

And it became obvious that a raise of 10 cents an hour to the laboring man would have infinitely more effect on the ultimate selling price of flat silver that the trade bought than the saving of 10 cents a pound in the silver, because if you take, for instance, plated silverware, the actual effect of a 10-cent drop in the price of silver might reduce the cost of a normal set of 26 pieces of flat silverware in the area of maybe 8 to 10 cents, maybe less than that, and I think we are in the same field here.

The fabricating industry makes a big play on the fact that it has skilled labor that it pays high wages to. Now, in the American mining industry, we have skilled labor that we pay high wages to, and I have the impression, in terms of the costs of producing metal, that labor must be, what is it, 35, 40 percent of the costs.

Senator MALONE. It is about 65 percent.

Senator BENNETT. About 65 percent.

And, if the Senator is right, the claim of both phases of the industry is approximately the same. Maybe the mining producer has a greater claim for the right to defend the wage rates of his labor than does the fabricator.

I am talking about that without having any figures before me, and I would appreciate it——

Senator MALONE. The fabricator is more vocal.

Senator BENNETT. There has grown up in this country a feeling in many sections that wages of people working in factories must be protected, while the wages of people working in the basic production industries are of no consequence. It all depends on whose ox is gored; that is the fundamental fact in the case, is it not, that each segment of the industry feels that it should be protected in its wage program, but it should be able to buy its raw materials at the cheapest possible price?

I would like to go on with your statement and come quickly to what I think is the heart of it, Mr. Vuillequez, which is found on page 6 and page 7. In other words, as I read this, you feel that there should be no protection to the industry in terms of excise taxes or flexible tariffs, or whatever you might want to call it, but that you would immediately write off any mine that you considered to be uneconomic, and other mines should be protected by a subsidy, there should be an additional subsidy of one-half cent per pound for each 1 cent per pound that the price declined below a so-called economic price.

Our approach to this, I would say, to this bill, is that there shall be an excise tax imposed whenever the price drops below the so-called economic price.

As far as I know, the attitude of the domestic mining industry is—it resists subsidies for one reason, because whenever you have subsidies, you must have Government control; I think that is just axiomatic.

Do you like your government control in Mexico? Do you like the Mexican Government to be in position to say, "Well, no matter where the price goes, you have got to go on producing because we want you to"?

Mr. VUILLEQUEZ. No, sir; we certainly do not.

On the other hand, the higher tariffs or an excise tax has also disadvantages to this country which I think have to be weighed in comparison with the disadvantages of a direct subsidy, and it is my personal view that a direct subsidy would be to the best advantage of this country as compared to this proposed legislation.

Senator BENNETT. If you were in business in this country, would you prefer a direct subsidy? When you get over on the side of the mining industry, and say you would like to operate on the direct subsidy, if you were in business in this country, would you like to accept the Government regulations and controls that would inevitably follow?

Mr. VUILLEQUEZ. I think I would prefer a direct subsidy, if I could justify it, to another measure which might result in a reduction of consumption of the product that I am trying to sell.

Senator BENNETT. Of course you are making an assumption that this particular legislation would have the effect of reducing the consumption of the product.

I doubt that the American industry would agree with you on that.

You quote, on page 7 of your statement, a letter or statement made—letters, you say, written by Mr. Andrew Fletcher, president of St. Joseph Lead Co., to another committee in 1949.

As far as I know, that still represents the attitude of the domestic industry. Certainly I do not think this committee is interested in making a favorable report on a bill which puts us in a position of subsidizing our production in order to keep the prices down to those of foreign producers.

Senator MALONE. Mr. Chairman, before you go too far in that regard, I would like to ask the witness—there are so many things here which are so far removed from any horsesense attitude toward American industry, I do not see how we could get through with him in 2 or 3 days.

But here is one thing I would like for him to explain, and that is, why uneconomic mines should not be subsidized.

What is an "uneconomic mine," in your opinion?

Mr. VUILLEQUEZ. In my opinion, it is a mine operating at costs higher than the market prices fixed by the free play of supply and demand.

Senator MALONE. And that would be the world price?

Mr. VUILLEQUEZ. I would think so, yes, sir.

Senator MALONE. Well now, your position is clear, then, that whenever anything can be produced, any mineral or mine operated by cheap labor and our machinery and our investment, American investments, in these low-cost, low-wage standard of living nations, and furnish the market, then no other mine, wherever located, should operate. That is your position, is it not?

Mr. VUILLEQUEZ. Well, I do not see how a mine can continue operating for a very long time if its costs of production are so high that the use of the product would go down., Again, this is a general statement, of course.

Senator MALONE. Now, my friend, let us analyze that statement. Are you comparing with low-cost labor, are you comparing it to it, or are you comparing the production on an American standard of living?

Mr. VUILLEQUEZ. On a world basis, sir.

Senator MALONE. Well, that is right. To me, I just write you off as a lost ball in a high wind, because you are a free trader, a world trader. You want the American workingmen to compete with these wages or go out of business, and you want the American businessman, the small-business man I call it when they cannot go abroad, put in their investments and operate in connection with what they are doing here, to compete with that, so the American investor and the American workingman has gone down the drain, and you are for that, if he cannot compete with the American machinery and American-trained workmen that they are paying much lower wages. That is what you want.

Now, say it, and we will be through with you, I will not ask you any more questions.

Mr. VUILLEQUEZ. I am not suggesting anything except a different method of approach than the legislation proposed.

Senator MALONE. Oh, yes, you are. You just said it to me.

Read back what his last statement there was, before you get off on this one.

Senator BENNETT. May I interrupt. I just had a message from the floor. Apparently all of the time under the unanimous consent is not going to be used, and the vote will come very quickly.

Senator MALONE. They will ring the bell.

I have just a couple of questions here that I have to ask him. He is not coming back, is he?

Senator BENNETT. I think we would like to get through this afternoon.

Senator MALONE. I know you do not think it sounds right when you say it like that, but you have been testifying like that for 2 days.

I will not ask you to find this thing, because it will take too long, Mr. Reporter, but exactly what you say is, at world prices, anything that is uneconomic.

I am going to define what I think is an uneconomic mine, and that is if there is a tariff on this thing which makes up that difference in the wages, in the chief competing country and here, and the cost of doing business, then the people in this country, the workingmen and the investors, are competing for the American market, which is what you want with your low-cost labor, and when there is too much of it, some of the mines, less efficient mines, go out of business, naturally, and nobody cares about that at all.

But they are competing for the American market. Do you understand the difference?

Mr. VUILLEQUEZ. Sir, I have never said that the mines that go out of business should be let out of business without compensation.

Senator MALONE. Well, "uneconomic mines shall not be subsidized." What would you call it if you give them money?

Mr. VUILLEQUEZ. Well, I think the uneconomic mine mentioned here is, we define it in this way: We use the word "uneconomic" to mean mines whose costs do not permit them to compete successfully against available substitute materials.

Senator MALONE. Well, now you have opened up an entirely new field. If there were no zinc at all, then you want this mine to not operate whenever there are substitute materials come in; is that what you are now saying, bringing in an entirely new theory in this thing?

Mr. VUILLEQUEZ. I am thinking particularly of plastics, aluminum, and other materials which are not necessarily coming in, but also produced here.

Senator MALONE. Of course, that takes care of itself, because the plastics are manufactured here, and you have never heard me or anyone else in my hearing ever say that when any American manufactured product takes the place of another one, naturally, that we want to do anything about it. We do not.

What we are talking about, if you brought the plastics in from some other nation where you pay $2 a day wages or $2.50, or when you bring that material in. You mix your statements up so much that nobody could understand it.

So we are not talking about American material. We are talking about the material that you want to bring in, and you call them uneconomic when they cannot compete with the world price; and I call them uneconomic when they cannot maintain their position in furnishing the American market when they have a tariff that makes up the difference in the wages and the cost of doing business.

Mr. VUILLEQUEZ. The only answer I can make to that, Senator, is that our company would not invest in an American mining company on the basis that you suggest.

Senator MALONE. Well, they could not invest without it.

Mr. VUILLEQUEZ. We have invested in mines in this country which we think can compete with the world market price, and our approach——

Senator MALONE. I have news for you. You had better go back and ask your stockholders, because I think you are wrong. They will invest in a mine when you have protection like you have in your manufacturing business. How could you invest in a manufacturing business which did not have protection? You could not; could you?

Mr. VUILLEQUEZ. We have investments in copper mines in this country. We are not looking for any protection, Senator.

Senator MALONE. None whatever? Where are you running one?

Mr. VUILLEQUEZ. I beg your pardon?

Senator MALONE. Where are you running a copper mine in this country?

Mr. VUILLEQUEZ. In Michigan and in Nevada.

Senator MALONE. Are you?

Mr. VUILLEQUEZ. Yes.

Senator MALONE. What ones are they?

Mr. VUILLEQUEZ. We have investments; we are not operating the mines.

Senator MALONE. What are they?

Mr. VUILLEQUEZ. Consolidated Copper Mines and White Pine.

Senator MALONE. Would you like to have me read in the record a wire from Mr. Connor, who is running that mine? He is against everything you are saying today. Write him and ask him. He manages it. I know him. I know him like I know everybody else in Nevada. You do not quote him? You do not represent him?

Mr. VUILLEQUEZ. No, sir. I merely am referring to the investment we have in that mine.

Senator MALONE. Who is "we" that do not want a tariff on copper? He wants it, and he runs the mine.

Mr. VUILLEQUEZ. Sir, I am not testifying for that gentleman.

Senator MALONE. I'll say you are not.

Mr. VUILLEQUEZ. I am testifying for myself.

Senator MALONE. You are not testifying for anybody but somebody who wants to bring this thing in and put the boys out on the street, so far as I can see.

I want to ask you something else: You want to go into the stockpiling business. What do you think we have been doing here in the last 20 years?

I am the one who made the first suggestion in 1936 or 1937, I was State engineer in Nevada, to Louis Johnson, when he was Secretary of War or Assistant Secretary of War, and Woodring was Secretary, and I started the stockpile.

And you are coming along with the stockpile business when right now the House has refused to go along with further stockpiling on tungsten.

I only want to tell you a few things like that so you can take it back to your investors, and I hope they find out about it.

The uneconomic mines could be kept on a standby basis. Well, that is the craziest thing on earth. It costs more to keep a mine on a standby basis than the Government could afford, just to keep the water pumped out.

That shows an utter ignorance of anything to do with mining. I do not know where you got your training.

Now, the White Pine Mine you are talking about got a $5 million loan from the Government on this thing, and you have your money in it. But they had to get it to keep in business, because of this free-trade thing that Congress has been doing, too.

You know there is not an independent mine of any size operating in the United States not owned by the same people that own the Chilean mines, and they are some of the finest people on earth, some of the greatest companies, well run, but you cannot start an independent mine in this country.

I do not know how much you know about mining, but you should know that much.

Mr. VUILLEQUEZ. I am not a miner, Senator.

Senator MALONE. I can tell that.

But you talk about mines all the time.

I am all finished with this witness. He has answered my question that he is for free trade, and he thinks it is a marginal mine when they cannot compete with a Mexican mine. That is enough for me.

Senator BENNETT. The next bell, we are told, will be the vote on the amendment.

I have just 1 or 2 things, questions that naturally occur to me on the subject of uneconomic mines.

If you declare a mine uneconomic, you may shut the operators of that mine away from a discovery that a week later would produce an ore body of sufficient quality to put them back in the running again.

Mr. VUILLEQUEZ. It is a very difficult question, Mr. Chairman, there is no question about it.

Senator BENNETT. All right.

Senator MALONE. One more thing.

It is not difficult in my mind. When you make up the difference in labor costs here and in the chief competing country, on zinc or metals or textiles or anything else, and the difference in the cost of doing business in the American market, a less efficient operator will go out of business, and nobody regrets it.

And when some other materials manufactured in the United States takes its place, nobody regrets it.

But when they take $2 labor and 50-cent-a-day labor, and bring this stuff in here in direct competition with American workers, and pay no taxes here at all, anybody who will stand up and say we ought to compete with that kind of a thing, to me, has a perfect right to say it, and if he can benefit by it under an act of Congress, which they are doing, they can defend it.

But I, myself, am not going to defend it here, on the Senate floor, or anywhere else.

Senator BENNETT. Thank you.

The acting chairman has requested of Mr. Robert W. Redwine, minerals consultant of the Committee on Interior and Insular Affairs, for certain figures and material, which will be inserted in the record when received.

(The statement subsequently submitted by Mr. Redwine follows:)

MEMORANDUM

To: Senate Finance Committee.
From: Robert W. Redwine, minerals consultant, Interior and Insular Affairs Committee
Subject: Statistics requested by Acting Chairman Wallace F. Bennett in respect to zinc during World War II and the Korean war.

"Tariff: Zinc has been subject to an import duty for 100 years (32, 33). The highest rates were in effect from 1930 to 1939, when the duties on slab zinc and ores and concentrates (zinc content) were 1.75 and 1.50 cents per pound, respectively. In 1939, these tariffs were reduced to 1.40 and 1.20 cents per pound, respectively. In 1943 a reciprocal trade agreement between Mexico and the United States reduced the duty on slab zinc and zinc in ore to 50 percent of the amount set by the act of 1930, or 0.875 cents per pound on slab and 0.750 cents per pound on zinc in ore. This agreement was terminated December 31, 1950.

"Following agreements at the Geneva Trade Conference of 1947, import duties were established, effective January 1948, as follows: 0.750 cent per pound for ore and concentrates (zinc content) and 0.875 cent per pound for blocks, pigs, or slab. These rates applied equally to all nations with whom the United States has most-favored nation agreements.

"On June 6, 1951, import duties on slab and ore were reduced to 0.7 and 0.6 cent per pound, respectively. Owing to the increased United States need for foreign zinc, import duties were suspended on February 12, 1952, until March 31, 1953, or until the end of the emergency, whichever came first.

"The act stipulated that the rates of June 6, 1951, were to be reimposed if the average market price of zinc fell to 18 cents a pound for a calendar month. The Tariff Commission notified the President on July 3, 1952, that the average price of slab zinc for June was below 18 cents a pound, and on July 23 the President signed the order ending the duty suspension. In effect, the general inflation in which the price of zinc has participated resulted in an additional lowering of the tariff if considered on an ad valorem basis." Mineral facts and problems, Bureau of Mines, Bulletin 556.)

"Prices: Zinc prices have fluctuated widely during 1925–53. The average price for Prime Western grade, East St. Louis, was 6.76 cents per pound in 1925–29 and 5.10 cents in 1935–39, with an intervening low of 2.88 cents in 1932. The upswing in prices created by the demands of World War II was halted in October 1941 by the Government, which set the controlled price of 7.25 cents per pound. In October 1942, the price was established at 8.25 cents per pound, at which level it remained until controls were removed in the fall of 1946. Prices increased substantially in the postwar period, reaching a high of 17.5 cents in December 1948 and averaging 12.53 cents for 1947–50.

"Following the outbreak of war in Korea in June 1950, zinc prices advanced steadily, attaining a peak of 17.50 cents in September. Ceiling prices were established for zinc in January 26, 1951, at the highest price (for each seller) at which sales were made between December 19, 1950, and January 25, 1951.

"Thus a number of different ceiling prices were maintained. The bulk of zinc sales, however, were at 17.5 cents per pound, Prime Western grade, East St. Louis. This price remained in effect until October 2, 1951, when the Office of Price Stabilization permitted a rise of 2 cents per pound." (Mineral Facts and Problems, Bureau of Mines, Bulletin 556.)

During the Korean war it also became necessary with the National Production Authority to limit civilian consumption, as is demonstrated below:

"National Production Authority Order M–15, issued December 1, 1950, limited civilian consumers of zinc and zinc-metal products to an average quarterly consumption rate not to exceed 80 percent of their quarterly average, as established in the 6-month period ended June 30, 1950. The same order specified that inventories should not exceed a 45-day supply or a 'practicable minimum working inventory,' whichever was less. On June 15, 1951, order M–15 was amended to limit quarterly consumption of special high-grade zinc to 70 percent of that used in the basing period, and allowable inventories of zinc and zinc-metal products were restricted to 30 days or the 'practicable minimum working inventory,' whichever was less.

"On July 5, NPA issued a new order, M–9, which placed slab zinc under allocation effective August 1. Under this order no dealer or consumer might accept delivery of 20 short tons or more of slab zinc during any calendar month without an allocation authorization. Amendment 1 to this order, effective January 1, 1952, reduced allowable receipts without allocation authorization from 20 to 10 short tons in any calendar month.

"Several provisions of order M-15 were incorporated in order M-9, as amended March 7, 1952. All NPA restrictions on zinc were revoked on June 27, 1952, when it was apparent that zinc was not in short supply." (Mineral Facts and Problems, Bureau of Mines Bulletin 556.)

It is significant that during World War II the pegged price for zinc in the United States was considerably higher than the pegged maximum price in effect in Great Britain, which set the world price for zinc, and it was during this period of time that foreign producers sold on the American market, making it unnecessary during World War II to impose restrictions on civilian consumption.

During the Korean war, however, the world price was considerably higher than the American ceiling price imposed by the National Production Authority, and, as a result, the flow of foreign zinc was away from the United States and into world market channels, making it necessary to impose restrictions on civilian use in the United States.

The following figures graphically depict the reason for foreign-produced zinc flowing into the United States during World War II and away from the United States during the Korean conflict:

During the period 1941–46, by Government edict, the price in the United States was 7.25 cents per pound part of the time and 8.25 cents per pound during the remainder of the period. During this same period of time, the world price—that is, the London price by action of the British Government—was 3.6 cents per pound, 1941 to 1944, inclusive; 4 cents per pound during 1945, and 6 cents per pound during 1946.

These price levels, of course, made it much more advantageous to the foreign producers to dump their material on the American market rather than sell it at a much lower price on the world market.

During the Korean conflict—that is 1950, 1951, 1952—the situation was reversed. In 1950 the London or world price averaged 14.902 cents per pound while the American average price (taking into consideration the period before and during the time prices were pegged) was 13.866 cents per pound or a differential of 1.036 cents per pound in favor of importations away from the United States to the world market.

In 1951 the average world market price was 21.477 cents per pound and the American average price was 18 cents per pound or a differential of 3.477 cents per pound in favor of importations away from the United States to the world market.

In 1952 the world price was 17.552 cents per pound and the American average price was 16.215 cents per pound or a differential of 1.337 cents per pound in favor of importations away from the United States to the world market.

It was during this period of time when the world price was substantially higher than the American market price that the Government of the United States found it necessary to impose restrictions on the civilian consumption of zinc so as to have enough for weapons of defense.

Parenthetically, the statistics are substantially the same in this respect for lead as they are for zinc.

The following table, compiled from official Government records, accurately depicts the American consumption record for the period covered.

Zinc, 1954-56—Free-world mine production, free-world consumption primary zinc, and free-world excess production

	1954	1955	1956
	Tons	*Tons*	*Tons*
Supply:			
United States mine production	473,471	514,671	537,643
Estimated free-world production outside the United States	1,896,744	2,051,558	2,108,936
Total free-world supply	2,370,215	2,566,229	2,646,579
Industrial demand:			
United States consumption of slab zinc (primary)	816,286	1,053,770	918,027
United States zinc ores for pigments, etc.	99,247	114,000	[1] 110,000
Total United States consumption [2]	915,533	1,167,770	1,028,027
Estimated free-world consumption outside the United States	1,354,996	1,443,528	1,400,331
Total free-world consumption (primary)	2,270,529	2,611,298	2,428,358
Excess of supply over industrial demand	+99,686	−45,069	+218,221

[1] Estimated.
[2] This, of course, does not include any acquisitions or stocks held in the national stockpile.

NOTE.—Excess of supply over industrial requirements varied from −3.6 percent in 1955 to +8.1 percent in 1956 and averaged +6.1 percent for the 3-year period.

Lead, 1954-56—Free-world mine production, free-world consumption primary lead, and free-world excess production

	1954	1955	1956
	Tons	*Tons*	*Tons*
Supply:			
United States mine production	325,419	338,025	352,826
Estimated free-world production outside the United States	1,513,232	1,576,039	1,551,477
Total free-world supply	1,838,651	1,914,064	1,904,303
Industrial demand:			
United States consumption of primary lead (total consumption less secondary lead) [1]	613,946	710,593	679,153
Estimated free-world consumption outside the United States	1,076,231	1,134,828	1,098,606
Total free-world consumption	1,690,177	1,845,421	1,777,759
Excess of supply over industrial demand	+148,474	+68,643	+126,544

[1] This, of course, does not include any acquisitions or stocks held in the national stockpile.

NOTE.—Excess of supply over industrial requirements varied from 1.7 percent in 1955 to 8.2 percent in 1956 and averaged 3.6 percent for the 3-year period.

Senator BENNETT. If there is no further business, the hearings are recessed. The record will be held open for the additional material which has been requested and will be furnished.

(By direction of the chairman, the following is made a part of the record:)

THE AMERICAN METAL CO., LTD.,
New York, N. Y., July 30, 1957.

HON. ROBERT S. KERR,
Senate Office Building, Washington, D. C.

DEAR SENATOR KERR: At the Finance Committee hearings you asked me for certain information and documentation, which I will endeavor to give you with letter.

1. Our present average wage rate at our mining properties in Mexico is $2.21 per 8-hour shift. This is about 60 percent more than the figure given by Mr. Pezzati for a driller for 1955. Productivity at our mining properties is about 13.4 man-hours per short ton of ore produced. Labor costs are, therefore, appoximately $3.70 per short ton of ore produced.

According to the Tariff Commission, during 1952 productivity of mines in the tristate area was 0.87 man-hours per short ton of ore produced. Assuming the same productivity during 1957 (I would imagine productivity in the tristate area has improved over the last 5 years) and average earnings of $2.18 which I believe prevailed during April 1957, labor costs per short ton of ore produced in the tristate area would be about $1.90, or about one-half of the labor costs in our mining properties in Mexico.

2. The statement attached shows the United States income taxes paid by us on our Mexican operations for the 10-year period ending with 1956.

3. Documentation that "Tariff Commission hearings are required under the escape clause of our GATT agreements." You are, of course, correct that "GATT agreements" have no provision for Tariff Commission hearings. Such hearings are required under the Trade Agreements Extension Act of 1951. However, I believe that this correction does not change the intended sense of my statement.

4. You asked for the person responsible for the statement that "* * * the Office of Defense Mobilization now considers Canada and Mexico equal to the United States for the purpose of the mobilization base of the United States." I think I should have stated that we believe the Office of Defense Mobilization now considers Canada and Mexico as part of the mobilization base of the United States. I think this latter statement is correct; however, I would much prefer to avoid disclosing the name of the individual or individuals who made such a statement. You or your committee, I think, are in a much better position to obtain the facts on this question from the proper department in Washingon.

Sincerely yours,

J. VUILLEQUEZ.

United States taxes on income from Mexico

	Gross taxable in United States	Mexican tax withheld	Net received	United States tax			
				Rate	Gross	Credit for Mexican taxes	Net
1956:				*Percent*			
Metalurgica, dividend [1]	$787,600.00	$118,140.00	$669,460.00	52	$409,552.00	[2] $409,552.00	None
Minera, none							
1955:							
Minera, dividend	469,784.12	70,467.62	399,316.50				
Metalurgica, dividend	467,500.00	70,125.00	397,375.00				
Total	937,284.12	140,592.62	796,691.50	52	487,387.74	422,956.32	$64,431.42
1954:							
Metalurgica, dividend	110,000.00	16,500.00	93,500.00				
Minera, interest	222,378.94		222,378.94				
Total	332,378.94	16,500.00	315,878.94	52	172,837.05	133,715.05	39,122.00
1953: None							
1952: Metalurgica, dividend	701,800.00	70,180.00	631,620.00	54	378,972.00	371,319.33	7,652.67
1951: Minera, dividend	1,181,260.00	94,500.00	1,086,760.00	52¾	623,114.65	[3] 580,322.93	42,791.72
1950: Minera, dividend	590,498.00	47,239.84	543,258.16	44	259,819.12	[3] 220,723.61	39,095.51
1949: None							
1948: None							
1947: Minera, dividend	8,110,932.50		8,110,932.50	40	3,244,373.00	[3] 1,103,292.06	2,141,080.94

[1] Preliminary. [2] Estimated. [3] Audited and accepted by revenue agent.

STATEMENT OF JOSEPH F. LITTLE, DENVER, COLO., IN SUPPORT OF A PROGRAM FOR THE DEVELOPMENT AND PRESERVATION OF MINERAL RESOURCES

For 25 years, I have been a metal-mining property owner, operator, and attorney. The metal-mining industry, particularly that portion which includes the owner-operator or lessee-operator of the small mine or group of mining claims, has been the object of harsh discrimination by the Federal Government. In the metal-mining States of the West there are around 200,000 individually owned mining claims, of which about 90 percent of what were once flourishing mining properties are now closed down, with great loss to their owners, the communities in which they are located, and Federal and local taxes. This discrimination includes the following practices:

1. Agricultural products are being traded by the Federal Government to foreign nations in return for metallic ores and minerals.

2. Lead and zinc mines are compelled by law to sell the gold in their ores to one purchaser, the United States mint. This gold is sold at a price fixed in 1934 by Executive decree.

3. The United States mint sells gold to gold manufacturers at the 1934 price. No other manufacturer or processer obtains his raw materials today at their 1934 cost.

4. Through lend-lease and point 4 programs the Federal Government has equipped foreign mines with the latest mining and milling equipment and has instructed the operators of such mines and mills in the very latest mining and milling practices.

5. The Federal Government has failed and refused to insist that the countries in which these foreign mines and mills are located, and whose metal products are shipped to this country or exchanged in this country for our agricultural products, adopt the same wage-hour, social security, workmen's compensation, unemployment compensation, and other benefits which American metal miners enjoy. As a result, foreign mining companies can ship and sell their products in this country far below the cost of producing these metals by American metal mines.

6. Because of the very punitive discrimination on the price of gold, the American metal miner can only obtain $35 an ounce for his gold, while many foreign mines producing gold, as well as zinc and lead and other metals, can sell the gold produced by them in the world markets at a much higher and more realistic price.

7. Prior to World War II, most operators of American metal mines producing complex ores, that is, ores containing lead, zinc, copper, and possibly other base metals and minerals, as well as gold and silver, so governed their operations that the price they received for the gold or silver contents of their ores provided most, if not all, of their mining costs. The amount received for lead, zinc, and other minerals and metallic contents of their ores was so much insurance of the payment of operating costs and continued operation, or a little additional profit.

Today all that is changed. Mining costs have doubled and trebled in price while the price of gold remains the same and the price of silver and lead, zinc, and other base metals and minerals has fallen far behind the actual costs of operation. As mining conventions have pointed out in their resolutions, the American metal miner frequently makes more in 1 day than his foreign competitor earns in a week. Without adequate protection against such low-cost foreign operations, no domestic industry can long continue to operate—a fact which is amply proved by the thousands of metal mines in this country which were operating in 1940 and which are now closed down.

8. During the last World War, ships laden with metallic concentrates and metals were sunk in large numbers by German submarines. Russia now has a greater submarine fleet than Germany ever possessed. Fortunately, in the last war we had a large number of trained metal miners who were available for the maximum operation of mines producing base metals.

Today, due to the closing down of virtually all gold mines and most base-metal mines because of the utter impossibility of operating these mines in the face of the adverse regulations and the downright opposition of our Federal Government and its agencies, we have relatively few trained metal miners. Many who are still able to mine have scattered among other and better paying industries. Age has taken its toll of many others who are no longer physically able to mine or to teach mining operations to metal-mining apprentices. We had a force of skilled miners in 1941 because we had a large number of small mines producing these critical materials, and these small mines were able to operate at that time because the prices they received for the gold, silver, base metals, and other minerals in their ores were commensurate with their costs of operation. That is no longer true.

9. The prostrate condition of our metal-mining industry must be seen to be believed or understood. Our western States have numerous ghost towns and vanishing communities which were once prosperous. It no longer pays second-hand machinery dealers to remove items which were once valuable and costly mining equipment. Many mineowners consider this situation so hopeless that they are no longer attempting to keep their mines in repair and ready to operate. As a result, underground passageways are either caved in or caving, or filled with water. The acid waters, or, more properly, the sulfuric acid in mine waters of the sulfide ores, quickly eats out the metals and nails and timber. In many cases the damage is so extensive that such passageways can never again be reopened. Unlike factories, which can be started up by the turn of a switch, it takes months and even years to repair and reopen essential mine passageways, many of which are hundreds of feet in length.

The Congress must bear the blame for the condition of our metal-mining industry. It sat complacently by and even assisted while advocates of free trade, lobbyists for international mining companies, proponents of the so-called have-not theory that this Nation is now deficient in metals and minerals, and other advocates of the destruction of our metal-mining industry were doing their best work. The present deplorable condition of the American metal-mining industry is also due to the refusal of Congress to protect it as it has protected other branches of our economy. It is due to the policy of our Federal Government which prefers the welfare of foreign mines, mine owners and operators to our domestic metal-mining industry. And it is only through Congress that the American mining industry can be revived.

And while I am on the subject, and as further evidence of the discriminatory attitude of Federal officials and the way Congress has possibly been misled, I have before me a copy of a letter from a high official of the United States Treasury, dated February 19, 1957, addressed to Chairman Spence of the Committee on Banking and Currency. In that letter the official states his opposition to any attempt to change the price of gold, gold bullion, or to permit a free market for gold coin or gold bullion on the ground that this would defeat the program of the United States Treasury to maintain the price of gold at $35 an ounce, as provided by H. R. 625 and H. R. 2400. Specifically, this official stated in this letter: "The Treasury Department is opposed to the enactment at this time of legislation which would have the effect of creating variable prices for gold in terms of the dollar in domestic and foreign markets."

Your attention is respectfully directed to page 70 of the July 1957 issue of the Engineering and Mining Journal, which gives the price of gold in the free markets according to Pick's World Currency. These prices are quoted at the free- or black-market value of the United States dollar in local markets; and for gold coins, these prices range all the way from $39.25 in Buenos Aires to $55.75 in Bombay.

Now, I realize that Congress has so much to attend to that its Members must rely upon reports from various executive agencies; but when statements are made such as those in the above letter, which are in conflict with reputable agencies and publications, it constitutes one more reason why Congress should reassume its authority over the monetary and tariff policies of the United States.

It would be most beneficial if our competitor nations possessed the same kind of social legislation as we have in this country. We have spent billions of dollars in efforts to raise the standards of living of other countries by means of loans and handouts, with little or no apparent permanent results. Why not admit duty-free the products of those countries which adopt the same social security, unemployment compensation, workmen's compensation, wage-hour, and similar laws that our employees enjoy in this Nation, and require of those countries which refuse to adopt such legislation, duties, and tariffs which will equalize the costs of production?

The condition of the metal-mining industry in this country should be ample proof that free trade is a fraud and a delusion, and with our high cost of American labor we cannot compete with low-cost foreign products.

In order to preserve the few American metal mines that are still operating, and to provide a nucleus and an incentive for the rebirth of this basic industry, I most urgently recommend Congress adopt legislation embracing the following proposals:

An import tax of 3 cents whenever the domestic price of pig lead is 16 cents a pound or over; 4 cents a pound between 15 and 16 cents; and 5 cents a pound between 14 and 15 cents.

An import tax of 3 cents a pound when the price of zinc is between 13½ and 14½ cents a pound; 4 cents per pound whenever the price of zinc is between 12½ and 13½ cents; and 5 cents a pound whenever the price of zinc is between 11½ and 12½ cents.

The above prices apply not only to the actual metal, but also to the proportional amount of lead, zinc, or other contents in such ores and concentrates.

The regulation should apply immediately, and there should be no waiting period, such as suggested by the administration.

The quotations of the Engineering and Mining Journal should be accepted by Congress as the official quotations upon which these prices are based.

SYRACUSE, N. Y., *July 22, 1957.*

Hon. HARRY F. BYRD,
United States Senator from Virginia,
Chairman, Finance Committee, United States Senate,
Washington, D. C.:

As the second largest die-casting manufacturer in the United States, we wish to be recorded as being opposed to the zinc import-tax provisions of S. 2376. Our position is well-stated in Mr. David Laine's brief as secretary of the American Die Casting Institute. There isn't a shred of factural proof to support the need for such a tax. It will hurt our industry.

J. J. PUNKE,
Executive Vice President, Precision Casting Co., Division of Tarsco Corp., Fayetteville, N. Y.

BROOKLYN, N. Y., *July 22, 1957.*

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

Passage of zinc import-tax provisions of S. 2376 would add another bit of discriminatory legislation favoring a few mining companies against hosts of manufacturers and millions of consumers. Passage of bill would further already mounting inflationary spiral if Congress passes this bill. We want to be next in line for Government subsidy.

ALFRED SCHNEIER, Sr.,
President, Advance Pressure Castings, Inc., Brooklyn, N. Y.

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N. Y., July 19, 1957.

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

DEAR MR. BYRD: We have been informed that the Committee on Finance will hold hearings on July 22 on the bill S. 2376, proposing to impose excise taxes on lead and zinc. In view of the short notice, we regret that it will be impossible for a representative of our organization to appear personally before the committee at these hearings.

We have before us the bill introduced by Senator Watkins, for himself and Senator Bennett (S. 2376), and also the bill introduced by Senator Mansfeild for himself and Senator Murray (S. 2271).

These bills propose to suspend the present duties on lead and zinc levied under paragraphs 72, 391, and 392 of the Tariff Act of 1930, in the case of lead articles, and under paragraphs 77, 393, or 394 of the act, on zinc articles, and substitute in the place of import duties either a flat internal-revenue tax of 6 cents per pound on the lead or zinc contained in such articles or a sliding scale of excise taxes according to the average market prices in the United States as determined by the United States Tariff Commission for all of these articles. Our objection to these bills is based on the following grounds:

1. Our organization has consistently taken the position that, where domestic industries or producers require protection against competitive imports, this protection should be provided by appropriate rates of duty

under the Tariff Act. The proposal to suspend the present import duties and to substitute internal-revenue taxes on lead and zinc articles is contrary to the well-established concept of tariff protection and would create an entirely new precedent. If this proposal is adopted, we fear it would encourage other domestic industries to demand similar treatment of competitive imported products.

2. The imposition of excise taxes on imports based on average domestic market prices of slab zinc or the average market price for common lead delivered at New York City represents, in practical effect, a domestic price-support program financed by American importers rather than by the United States Government. In this connection, we have noted the bill introduced by Senator Murray, for himself and Senator Mansfield (S. 2395). This bill proposes to meet the problem by the payment of a "production bonus" by the Secretary of the Interior to American producers of common lead or slab zinc to compensate domestic producers for the difference between the amount actually received by them on the open market and 15 cents per pound in the case of zinc and 18 cents per pound in the case of lead. If something is to be done, we believe that this is a better approach to the problem.

3. It has been generally agreed in the conduct of international trade that internal taxes should not be applied to imported or domestic products in such a manner as to afford special protection to domestic production. We wish to make the point that once imported products have cleared customs at any port of entry they should not be subject to discriminatory taxation under the Internal Revenue Code in a manner different from the internal taxes levied on domestic products.

4. Article III of the General Agreement on Tariffs and Trade specifically relates to the national treatment of internal taxation and regulation. It provides that imports shall be accorded treatment no less favorable than that accorded to like products of national origin. With regard to the proposed legislation on lead and zinc articles, we believe this is a direct violation of the international obligations which the United States has undertaken under the GATT.

5. We are surprised that no exception is made in the proposed bills for lead oxides dutiable under paragraph 72, or zinc oxides or leaded zinc oxides dutiable under paragraph 77. The prices of these oxides have been stable over a long period of time. Furthermore, imports of these oxides are negligible in comparison to domestic production. As a matter of fact, our exports of domestic lead and zinc oxides exceed our imports by a wide margin because of the superiority of the so-called American (direct) process.

6. Finally, we wish to point out that most of the lead and zinc articles dutiable under paragraphs 72, 77, 391, 392, 393, and 394 have been subject to tariff rate reductions in trade agreements negotiated with foreign countries under the Reciprocal Trade Agreements Act, and the suspension of those duties and the substitution of restrictive excise taxes under the Internal Revenue Code of 1954 may result in some type of retaliation by the countries to which these trade agreement concessions were granted in the past.

We respectfully request that this letter be inserted in the record in opposition to both of these bills and to any other bills on the subject that may be considered by your committee.

Respectfully submitted.

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
By HARRY S. RADCLIFFE, *Executive Vice President.*

NEW YORK, N. Y., *July 19, 1957.*

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

The United States Council of the International Chamber of Commerce urgently requests the Senate Finance Committee in examining S. 2376 to anticipate the adverse effect this legislation can have on national interests of vital importance. The council urges that no action be taken which would provide other governments with a precedent for subjecting American exports to extraordinary taxation. Such a precedent would threaten the freedom of every American industry to buy and sell in foreign markets. This freedom, now protected by trade agreements, is essential to the continued economic growth and leadership of the United States.

PHILIP CORTNEY,
Chairman, United States Council.

MARSHALLTOWN, IOWA, *July 23, 1957.*

Hon. BOURKE B. HICKENLOOPER,
Senate Office Building,
Washington, D. C.:

Urge you to vigorously oppose suggested import tax on zinc (S. 2376) as unnecessary, unjustified, and unworkable. If enacted would be highly inflationary, would add materially to cost of end product and seriously jeopardize friendly relationship with foreign neighbors, particularly Canada and Mexico. For details refer to formal statement of opposition July 22 by American Diecasting Institute. Urge vigorous opposition to bill when up for action.

Regards,

RALPH C. MCCAGUE,
President, Kiowa Corp.

POPE TRADING CORP.,
New York, N. Y., July 23, 1957.

UNITED STATES SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: The hearings now before your committee is a proposed bill, S. 2376, to establish excise taxes for both lead and zinc of foreign origin.

We wish to place ourselves on record to oppose any changes in the present duties or excise taxes.

The decline in prices of both commodities are due to a lessening in demand which will ultimately right itself. Class legislation is a dangerous practice and if an industry passes through a period of dullness the first thing thought of, is to go to Washington for relief.

Very truly yours,

SETH LOW ETTINGER, *President.*

LEADVILLE, COLO., *July 24, 1957.*

CHAIRMAN OF THE SENATE FINANCE COMMITTEE,
Washington, D. C.:

During World War II it was necessary to patrol the South American ports to prevent German submarines from refueling and from picking up other supplies. As veterans we feel that we should not now worry about hurting the feelings of the South American Republic. It is our contention that an excise tax should be passed to help alleviate a very serious depression in the zinc industries. We veterans in Leadville feel very strongly on this subject. Our jobs, livelihood, and businesses are threatened.

LEADVILLE CHAMBER OF COMMERCE,
LEADVILLE VFW, POST NO. 859,
MEMBERS OF DAV, POST NO. 9, OF GRAND JUNCTION,
AMERICAN LEGION, POST NO. 9.

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
July 22, 1957.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR HARRY: I am enclosing a statement from the Journal of Commerce of July 16, which tells of the New Jersey Zinc Co. curtailing its production at the Palmerton, Pa., smelter, due to rising imports of zinc.

I am also enclosing a copy of a resolution of the General Assembly of the Commonwealth of Pennsylvania, memorializing Congress for adequate safeguards in tariff and trade legislation.

If these could be placed in the record of hearings, I would appreciate it greatly.

With kind personal regards, I remain

Very sincerely,

EDWARD MARTIN.

[Journal of Commerce, July 16, 1957]

NEW JERSEY ZINC CUTS BACK PRODUCTION

BLAMES RISING IMPORTS

New Jersey Zinc Co. has curtailed slab zinc production at its smelters in Palmerton, Pa., and Depue, Ill., a cutback amounting to a total of 2,500 tons per month. United States output of zinc came to 90,719 tons during June.

Officials of the company stated that the measure was forced by an oversupply of zinc, a condition that they attributed to rising imports of the metal. The domestic price of zinc (prime Western, East St. Louis) has dropped from 13½ cents a pound to 10 cents since the start of May.

PRODUCTION TOPS CONSUMPTION

Imports are not the only source of trouble for the domestic zinc industry, however, since United States production has held at high levels and consumption has tumbled sharply with the slower pace in automotive and residential construction sectors.

At the same time, Government stockpiling of the metal has been lower and highly uncertain of late due to restrictions in the recently revised barter program.

Production of slab zinc in this country has been running so far this year at a monthly average rate of 93,756 tons while industrial demand has averaged only 62,075 tons, and by June was down to 54,275 tons. Government stockpiling absorbed an average of only 19,499 tons for each of the first 6 months, and dropped to 14,324 tons in June.

The New Jersey Zinc announcement concluded that "there can be no improvement in the situation and that further production curtailments in the zinc mining and smelting industry are bound to occur unless the Government adopts some means of controlling the exploitation of the domestic market by foreign producers."

BELGIAN STRIKE ENDS

At the same time, it was learned that the metalworkers' strike in Belgium has been settled. The 2-week shutdown of Belgian iron, steel, and nonferrous metal industries has been one of the few stabilizing elements in the London zinc market.

While the zinc trade studied the mixed effects of these two developments, copper trade circles grew increasingly pessimistic over the possibility of any immediate action by the Chilean Government to curb output of the red metal.

Cabled advices from Santiago reported that authoritative sources say it is improbable that there will be any reduction in Chilean copper output, pointing out that production for 1957, which is estimated at 440,000 metric tons, is apparently entirely sold.

COPPER STOCKS HIGHER

Underlining the copper industry's need of some corrective measures at the producing level were Copper Institute figures for the month of June showing a gain in domestic producer stocks to the highest level in over 7½ years. Inventories climbed 10,184 tons to 165,549 tons, a record for the period since September 1949.

Major factor in the climb in stocks was a sharp drop of 18,343 tons in domestic deliveries to 101,993 tons, a low since February, but the daily average deliveries were down to the lowest point since July 1956 when totals were adversely affected by the national steel strike.

While primary crude production edged lower to 95,641 tons for the month, refined production dropped 16,775 tons to 134,270 tons.

FOREIGN CRUDE OUTPUT UP

For the world as a whole, gains in foreign crude output pushed the total up to 251,720 tons for the month, while world refined production dropped about 23,500 tons to 251,801 tons.

A sharp decline in foreign copper deliveries combined with the United States setback to bring the world figure down over 36,000 tons to 220,052 tons. Total stocks advanced about 23,500 tons to 400,294 tons at the end of June, the highest level in years.

In the metal markets, London copper closed higher by a small margin as traders received news that northern Rhodesian European mineworkers were seeking higher wages. Some selling on the Chilean statement brought prices down from their best levels.

Zinc prices turned easier in the United Kingdom on the end of the Belgian strike. In this country, copper and zinc activity was generally quiet and routine at unchanged prices.

LEAD STRIKERS RETURN

The important development for domestic lead was the Saturday return of employees at American Smelting & Refining Co.'s lead refinery in Monterrey, Mexico, on strike since last May.

Settlement of the strike enables the refinery to be operated at full scale, and total capacity of the property is said by company officials to be 12,000 tons monthly.

Lead prices lost further modest ground in London. Trading featured a sharp increase in the contango premium of forward over spot prices reflecting the adequacy of nearby suppliers.

TIN OFF IN LONDON

London tin quotations dropped £6 or the equivalent of ¾ cent a pound, to £747 spot and £744 forward, a low since roughly 1 year ago when the United States Steel strike, compounded by the British Motor Corp. strike, weakened the market.

A further sizable increase in official warehouse stocks, from 2,420 to 2,773 tons, contributed toward the easier tone.

New York tin prices declined sharply on the London news and a similar £6 cut in the Singapore quotation. There were no buyers and there were not even bids within a quarter cent below established prices.

In futures trading zinc lost 13 points on sales of 14 lots, lead lost 15 points on sales of 4 lots, and copper was off 3 to 9 points on 12 lots.

General Assembly of the Commonwealth of Pennsylvania defends its industry, agriculture, and labor from unfair import competition in the American home markets:

SENATE CONCURRENT RESOLUTION

In the senate, February 11, 1957

MEMORIALIZING CONGRESS TO PROVIDE ADEQUATE SAFEGUARDS IN TARIFF AND TRADE LEGISLATION

The increased importation of numerous products that come into competition with the output of factories, farms, and mines of Pennsylvania, replacing the products of Pennsylvania's industries, is a constant menace to the State's continuing economic stability.

The lower wages paid abroad make it impossible for many of our smaller and medium-sized producers to compete with imports without resorting to ruinous price cutting, which in turn would result either in financial losses or heavy pressure for wage reductions and outright unemployment.

Our national obligations have reached such extreme proportions that the national income must be maintained at its present unprecedented high level, or close thereto, lest we become insolvent.

Unemployment caused by the imports of residual oil, which represented 3.43 times the average of 45 million barrels imported in 1946, to approximately 154 million barrels in 1956, or the yearly equivalent of 36,640,000 tons of coal; and unemployment caused by imports of crude oil; various types of glass, steel, aluminum, brass and zinc products; pottery and chinaware; granite, tiles, cement, hardboard, plywood, hardware, plumbing, flat glass and other building supplies, lace, carpets and all kinds of woolens, cotton and synthetic fiber manufactured goods; leather and fabric gloves; bicycles; hydraulic turbines; machine tools and other machinery; heavy electrical equipment and other electrical industry products and electronics; watches, clocks and parts; optical industry products; cutlery, scientific apparatus; pencils and pens; pins, clips and fasteners; soft fiber; insulation board and manufactured cork products; chemicals; toys; mushrooms; farm, dairy and dried-milk products, wallpaper, hats and millinery, printing industry products; ladies handbags and leather goods; nails, wire, screws, bolts and nuts and many other commodities will render the upholding of the economy at its high levels most uncertain and difficult unless all import trade is placed on a fair competitive basis and the potential injury therefrom thus eliminated.

Agricultural products such as wheat, wheat flour, cotton, butter, cheese, and peanuts enjoy the protection of import quotas.

A maximum of satisfactory trade results from a prosperous domestic economy freed from the threat of a breakdown resulting from unfair import competition: Therefore be it

Resolved (*the house of representatives concurring*), That the General Assembly of the Commonwealth of Pennsylvania memorialize the Congress of the United States to provide adequate safeguards in tariff and trade legislation, including import quotas and an effective prohibition against dumping of imports in the United States; against the destruction or lowering of our American standard of living, the labor standard of our workmen, and the stability of our economy by unfair import competition and that the existing trade agreement legislation be amended accordingly; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States, the Vice President of the United States, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Labor, the Secretary of Agriculture, the Chairman of the United States Tariff Commission, the Speaker of the House of Representatives, and each Senator and Representative from Pennsylvania in the Congress of the United States.

Adopted by the senate, March 19, 1957. Concurrence by house of representatives, March 26, 1957.

Issued by the Pennsylvania Employer-Wage Earner Job Protection Association, David Williams, director of organization, 2241 North Fourth Street, Harrisburg, Pa.

THE IMPORT INJURY TO AMERICAN ENTERPRISE AND LABOR

The following is a partial list of agricultural, trade, and industrial organizations or associations, along with individual companies, with investments and operations in Pennsylvania, that filed protests with congressional committees in Washington in 1955 against the damage, injury, and threats to their American enterprises, by the competition in American markets from cheap foreign imports. Also, list of national and international labor unions filing protests.

National Board of Fur Farm Organizations
American Mining Congress
National Coal Association
Anthracite Institute
Zinc Industry by Otto Herres, mining engineer
Pennsylvania Grade Crude Oil Association
Bradford District Pennsylvania Producers Association
Southwestern Pennsylvania Producers Association
National Dairy Industry
National Milk Producers Association
Association of Cocoa & Chocolate Manufacturers of the United States:
- Bachman Chocolate Manufacturing Co., Mount Joy
- Blumenthal Bros. Chocolate Co., Philadelphia
- Hershey Chocolate Co., Hershey
- Klein Chocolate Co., Elizabethtown
- Wilbur-Suchard Co., Lititz

United States Beverage Distilling Industry
Wine Institute
Wine Association of Pennsylvania
Mushroom Growers Cooperative Association
Brandywine Mushroom Corp., West Chester
National Association of Green House Vegetable Growers
National Apple Institute
American Cotton Manufacturers Institute, Inc.
National Association of Wool Manufacturers

National Association of Cotton Manufacturers
The Underwear Institute
The Philadelphia Wool & Textile Association
National Association of Blouse Manufacturers, Inc.
American Lace Manufacturers Association
North American Lace Co., Philadelphia
Tufted Textile Manufacturers Association
Textile Fabrics Association
National Knitted Outerwear Association
Carpet Institute
American Viscose Corp., Meadville
Cordage Institute:
- Edwin H. Fitler Co., Philadelphia
- Thomas Jackson & Sons, Reading
- Rinek Cordage Co., Easton

Card Clothing Manufacturers Association: Benjamin Booth Co., Philadelphia
National Association of Finishers of Textile Fabrics
Soft Fibre Manufacturers' Institute:
- Hanover Cordage Co., Hanover
- Thomas Jackson & Sons, Reading
- Lehigh Spinning Co., Allentown
- Revenah Spinning Mills, Hanover
- Schlichter Jute Cordage Co., Philadelphia

The Twisted Jute Packing & Oakum Institute
Silk & Rayon Printers & Dyers Association of America, Inc.
The Thread Institute
The Woven Woolen Felt Industry: Philadelphia Felt Co., Frankford
The Hat Institute
The Wool Hat Manufacturers' Association
John B. Stetson Co., Philadelphia
Hardwood Plywood Institute
The Wall Paper Institute
Printing Industry of America. Inc.
The Book Manufacturing Institute
Manufacturing Chemists Association, Inc.
Synthetic Organic Chemical Manufacturers' Association
American Cyanamid Co., Inc.
Rubber Manufacturers Association (footwear division)
National Authority for Ladies Handbag Industry
American Fabric Glove Association
Pittsburgh Plate Glass Co., Pittsburgh
American Glassware Association
United States Potters Association
Vitrified China Association, Inc.
Shenango Pottery Co., New Castle, Pa.
Tile Council of America
The Pin, Clip & Fastener Association
Delong Hook & Eye Co., Philadelphia
Industrial Fasteners Institute
The Industrial Wire Cloth Institute
United States Wood Screw Service Bureau
Talon Co., Meadville, Pa.
The National Machine Tool Builders Association
Landis Tool Co., Waynesboro
S. Morgan Smith Co., York and Philadelphia
Rockwell Manufacturing Co., Pittsburgh
Rockwell Spring & Axle Co., Coraopolis
Electrical Machinery Industry
Westinghouse Electric Corp., Pittsburgh, East Pittsburgh, Beaver, Essington, Sharon, Sunbury, and Trafford
General Electric Co., Philadelphia and Erie
McGraw Electric Co., East Stroudsburg
Pennsylvania Transformer Co., Canonsburg
National Electric Products Co., Ambridge
Pacific Electric Manufacturing Co., Scranton
Proctor Electric Co., Philadelphia
Stackpole Carbon Co., Kane; Johnsonburg and St. Marys

Syntron Co., Homer City and Blairsville
Allis-Chalmers Manufacturing Co., Pittsburgh
Elliott Co., Jeannette and Ridgway
Okonite Co., Wilkes-Barre
Air Products Co., Emmaus
National Electrical Manufacturers Association (telephone-equipment section)
Western Electric Co., Inc.
High-Voltage Electrical Porcelain Insulator Industry
The Bicycle Institute of America, Inc.
Manufacturing of Optical and Ophthalmic Glass, Lenses, and Instruments:
- American Optical Co.
- Scientific Apparatus Makers Association
- H. B. Instrument Co., Philadelphia

National Association of Photographic Manufacturers, Inc.
American Watch Manufacturers Association, Inc.
Hamilton Watch Co., Inc., Lancaster
The Toy Manufacturers of the United States:
- Girard Manufacturing Co., Girard
- Louis Marx Co., Inc., Erie
- H. L. Moore Co., Cochranton

Lead Pencil Manufacturers Association, Inc.
Fountain Pen & Mechanical Pencil Manufacturers Association, Inc.
Insulation Board Institute
Pennsylvania Railroad Co.

Direct protests filed by national and international unions affiliated with the—

American Federation of Labor:
- International Brotherhood of Bookbinders
- The United Brick & Clay Workers of America
- United Brotherhood of Carpenters & Joiners of America
- International Photo Engravers Union of North America
- American Flint Glass Workers Union of North America
- International Glove Workers Union of America
- International Handbag, Luggage, Belt & Novelty Workers' Union
- United Hatters, Cap & Millinery Workers International Union
- International Brotherhood of Operative Potters
- Printing Pressmen's & Assistants' Union of North America International
- Seafarers International Union of North America
- International Stereotypers & Electrotypers' Union of North America
- United Textile Workers of America
- International Typographical Union
- United Wall Paper Craftsmen & Workers of North America

Congress of Industrial Organizations:
- United Glass & Ceramic Workers of North America
- Textile Workers Union of America

National independent unions:
- United Mine Workers of America
- Amalgamated Lace Operatives of America
- National Independent Union Council
- Electrical Workers Independent Union

National railroad unions:
- Brotherhood of Locomotive Engineers
- Brotherhood of Locomotive Firemen & Enginemen
- Order of Railway Conductors & Brakemen
- Order of Railway Trainmen

HYDE PARK, MASS., *July 22, 1957.*

Senator JOHN F. KENNEDY,
Senate Office Building, Washington, D. C.:

Would appreciate your help in opposing the import tax proposals on zinc. The Senate Finance Committee is holding hearings today, July 22, and the House Ways and Means Committee will hold hearings on August 1 and 2. This proposed tax is unnecessary, unfair, unworkable. And discriminatory and will cause undue hardship to the die-casting industry (the statement of David Laine, secretary of the American Die Casting Institute to Finance Committee, United

States Senate, made on July 22, 1957, reflects in full detail our thoughts and feelings on this proposed tax. Your interest is earnestly solicited.

MAGNESIUM CASTING CO.,
IRWIN J. KADEN, *Treasurer.*

HYDE PARK, MASS., *July 22, 1957.*

Senator JOHN F. KENNEDY,
Senate Office Building, Washington, D. C.:

Would appreciate your help in opposing the import tax proposals on zinc. The Senate Finance Committee is holding hearings today, July 22, and the House Ways and Means Committee will hold hearings on August 1 and 2. This proposed tax is unnecessary, unfair, unworkable, and discriminatory, and will cause undue hardship to the diecasting industry. The statement of David Laine, secretary of the American Die Casting Institute, to Finance Committee, United States Senate, made on July 22, 1957, reflects in full detail our thoughts and feelings on this proposed tax. Your interest is earnestly solicited.

L. E. MASON CO.,
MATTHEW M. BERMAN, *President.*

TWIN SISTERS MAGNESIUM & CHROME CORP.,
Seattle, Wash., July 26, 1957.

Hon. HARRY BYRD,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Wall Street Journal, July 23 and 24, indicated that the hearings have been held by your committee on the administration's long-range minerals program. For some reason I missed information that these hearings were to be held on those dates.

Senator Murray suggested that, should the administration's bill be changed to include an excise tax on imports of chromite ores and chromium products, such legislation would first have to be reviewed by your committee before it was referred to his Interior Committee.

The House Ways and Means Committee notified me of their proposed hearing on the administration's bill, H. R. 8258, introduced by Representative Dawson of Utah, covering the administration's bill verbatim as proposed to the Speaker of the House.

I prepared a statement and forwarded it to Congressman Hal Holmes, from the State of Washington, member of the House Ways and Means Committee. A copy of my statement is attached for your information as to my views on the proposed legislation. Senator Murray's Interior Committee has hearings scheduled, and I was invited to appear to give a statement before his committee. The statement that I have prepared for his committee is identical with that before the House Ways and Means Committee, with the exception of the first two pages and introductory letter. A copy is enclosed for your information.

In the Wall Street Journal, the views expressed as representing the opinions of producers and shippers of foreign lead and zinc again are a strong indication that such foreign ore shippers desire to benefit from the vast moneys expended by the United States in aiding foreign countries to rehabilitate themselves and raise their standard of living. Their ideas of having the United States Government subsidize the domestic mining industry by outright grants and stockpiling our enormous lead and zinc ore reserves while they ship in low-cost-produced foreign ores at a high price which would be exceptionally profitable to them might be considered a selfish motive.

The proposal that I have made for stockpiling chromite ore is considerably different because, in the first place, the known supplies of chromite ores of high grade are very small compared to our national consumption. The type of legislation as proposed by Secretary of Interior Fred A. Seaton for chromite ores was very capably summarized by George B. Holderer, staff engineer of the Senate Interior and Insular Affairs Committee minerals division, in his memorandum of June 3, 1957, to Chairman James E. Murray and is published on pages 83 and 84 of the report of the hearing dated June 4.

In order for the mining industry to continue, it is important that legislation be enacted at this session of Congress that will permit its survival. Amendment to the chromite section to conform with the suggestions that I have made may not be possible at this session of Congress. I firmly believe it is something that should be definitely considered by the administration and Congress for early enactment into legislation by Congress. It is suggested that, in lieu of being able to pass an amendment for direct stockpiling, the bonus provision of $21 be increased to something that is more realistic—say, $60 to $70 a ton. Another alternative would be to extend the Grants Pass stockpiling program by increasing the tonnage allotment from 200,000 to 400,000 tons and the time of expiration from June 30, 1959, to June 30, 1962. An extension of this type of program would permit Congress to enact and put into effect an excise tax on chromite that would conserve our mineral resources and protect the chromite-mining industry from being forced to close this operation.

I know that you and your committee are very busy on the finances of the Government and doing an excellent job with the problems that confront you. However, I sincerely hope that you have time to give this minerals bill some of your personal attention and see that a program is enacted that will be beneficial to not only the miner but also to the United States Government.

Sincerely yours,

A. L. ATHERTON,
Executive Vice President.

(The statement by Mr. Atherton on H. R. 8258 before the House Ways and Means Committee follows:)

JULY 23, 1957.

To: Committee on Ways and Means, House of Representatives.
Re: Proposal of long-range minerals bill submitted to the Congerss by Secretary of Interior Fred A. Seaton.

DEAR SIRS: Notice of hearing has been received and, instead of appearing, I wish to submit a written statement for the consideration of your committee. My name is A. L. Atherton, with offices at 1101 Terminal Sales Building, Seattle, Wash. I am owner of the Atherton Construction Co., general contractors, and have engaged in chrome-mine development since 1948. In 1954, I was a party to organizing the Twin Sisters Magnesium & Chrome Corp., in the State of Washington. This corporation secured numerous mining-claim leases on olivine-chromite deposits in Skagit and Whatcom Counties, Washington. I am presently executive vice president of that corporation.

1. The proposed bill by the Secretary of the Interior has been read in its entirety, and his letter to the Speaker of the House of Representatives dated June 19. The context of this proposed bill is set forth in H. R. 8258, introduced by Representative Dawson of Utah.

2. Other House Resolutions 8265, 8303, 8307, 8328, and 8464 have not been available to me, although requested. House Resolutions 7844, 8336, 8337, and 8569 have neither been received nor read.

3. In discussing the Secretary of the Interior's bill, I propose to use H. R. 8258 as reference medium.

A. I am in favor of legislation providing a long-range minerals program. This should be for a minimum period of 10 years or more.

B. I believe an excise tax or import duty is necessary to protect the domestic-mining industry. This should be flexible to prevent defeat by inflationary measures either foreign or in the United States.

C. I am in accord with title I of the proposed bill but recommend a change as desirable in the best interests of the mining industry.

(1) Section 102 (a), page 3, line 20, should have words, "or certification, whichever shall occur first," eliminated.

Reason: Believe interest should be charged from the time that mining operations start, as it may be many years between discovery and actual production of ore for sale. Many years of interest could prevent future mining as a profitable venture.

(2) Section 103, page 4, line 21, including related development work" should be broad enough to include usable roads and bridges into remote areas.

Reason: Mine-to-market roads under Department of Commerce never have ample funds and the Forestry Service road programs are always underfinanced.

4. Title I, section 202 (a) (2), page 6, line 9: A. I wish to protest the provision of $21 per long dry ton for 46 percent Cr_2O_3 bonus to the miner making

sales to domestic consumers in accordance with provisions of section 204. This bonus is too low to permit survival of the chrome-mining industry. Bureau of Mines Report, Mineral Industry Surveys, Mineral Market Reports, M. M. S. No. 2549, table 2, reports domestic chromite shipments and value. Excluding Montana and converting the wet weight in short tons to long dry tons using a 4.5 percent moisture factor, we would obtain the following figures:

Domestic chromite production estimated from Bureau of Mines reports

Year	Long dry tons (approximate)	Value	Average per ton
1954	34,418	$3,032,435	[1] $88.56
1955	29,502	2,923,139	[2] 99.08
1956	36,383	(3)	....

[1] The $88.56 per long dry ton could grade below 46 percent Cr_2O_3 with 2.7 to 1 chrome-iron ratio using the Grants Pass formula.
[2] The $99.08 per long dry ton ore could grade approximately 46.5 percent Cr_2O_3 with 2.78 chrome-iron ratio, using same formula.
[3] Not yet reported.

NOTE.—The Grants Pass price is $110 per long dry ton for chrome concentrates having 38 percent Cr_2O with 3 to 1 chrome-iron ratio, with penalties for below grade.

The Oregon, California, and Alaska mining firms were claiming the GSA Grants Pass, Oreg., stockpile price was too low, under present-day wage, material, and tax structures. The GSA accepted materials free on board car railhead and transferred the assay cost to the miner, which gave some relief.

The western small chrome miner cannot sell his average product profitably to eastern consumers at the quoted world prices, eastern seaboard ports, plus the proposed bonus. The present production costs, with both labor and materials increasing each year, the increasing freight rates to eastern markets, plus assays and sales costs when deducted from the eastern price, less penalties imposed for concentrates and grade below 48 percent Cr_2O_3 with 3 to 1 chrome-iron ratio, would leave the miner in debt. The $21 bonus coming along several weeks later, less penalties for grade, would be too little too late. He would still not have received enough for his products to pay his operating costs.

Eastern chromite consumers in general are not interested in chrome concentrates in the first place and most of the domestic production sold to GSA has been in the form of concentrates.

5. Title II, section 202 (a) (2), line 12: A. Fifty thousand long dry tons annually is too low. This tonnage should be at least 75,000 tons and increased in 1960 to 175,000 tons. Present domestic production and sales to Grants Pass chrome purchasing program totaled approximately 37,000 long dry tons during 1956, which leaves very little room for expansion or new producers. Our firm, not now in production, can produce 12,000 to 15,000 long dry tons per year of chrome concentrates for several years. This tonnage is indicated in our mining engineer's reports on five claims only which have been diamond drilled and exposed by bulldozing. No provision is made for present Montana production of approximately 100,000 tons a year now being sold under direct contract to GSA, which will expire in a few years.

6. Title II, section 202 (a) (2), line 15: A. This limits tonnage to 10,000 tons produced by any one producer. Suggest it be increased to 15,000 tons.

7. Title II, section 202 (a) (2), in general: A. Recommend consideration should be given to amending this section of the proposed bill by imposing an excise tax or import duty on all contained chromium in imported ores, chrome products, and metals.

B. Recommend that the Government purchase chromite ores from the domestic miner and stockpile these ores for future use, thus conserving our national resources for times of emergency when foreign shipments can only be obtained by naval convoy or other high-cost defensive protection.

Reasons: (*a*) The imposition of an import tax would avoid a budget increase for stockpiling. An excise tax or import duty of 1 cent per pound of contained Cr_2O_3 on present imports would provide sufficient moneys to cover the entire cost of Government purchase stockpiling and administration of the program. This statement is based on Bureau of Mines chromite and product import data listed in the Mineral Industry Surveys published monthly, recapped by years and recorded in the Minerals Yearbook. I used 650,000 long tons of contained Cr_2O_3 as the producing base for the tax moneys. I used 75,000 long dry tons chrome concentrates at $100 per ton plus $24 freight plus $3.50 handling charges into stockpiles plus 15 percent overhead for agency collecting tax and handling stockpile purchases. This would create a contingency fund to purchase refractory and chemical grade chromite ores and provide for Montana ore production after expiration of present contract. The contingency could provide for processing contracts to improve grade of chromite concentrates by removal of the iron, briquetting or other processing for easier storage. The ore could be sold later by the Government and the proceeds used to reduce the national debt. In the meantime, our domestic ores are conserved and the stockpiled products become a Treasury asset.

(*b*) No real markets are available in western United States for chrome concentrates. Most producers of chrome products are in the Eastern and Atlantic Seaboard States.

(*c*) Major chrome consumers have long-term contracts or direct interest in foreign production sources of chromite ores and products.

(*d*) Western users of chromite products in general do not process chrome concentrates and are dependent for their source of chrome alloys and chemicals from eastern sources. Most of these firms have contracts for their needs and eastern suppliers would object to piecemeal sales by the western chrome miner to such users. It would interrupt the suppliers' production schedules.

(*e*) The eastern producers of chromite products are not interested in small-lot purchases of chromite ore or concentrates from the western chrome miner. They become a nuisance compared to the larger shipments of low-cost foreign ores. I wired June 19 for a price on specified grades of chrome concentrates in carload lots free on board their plant and I have not received a price as yet. One firm did reply insisting on a firm offer of a specific grade and specification. I explained immediately that our production was proposed and no reply has been received.

C. Title II makes no provision for chemical grade or refractory grade chromite ores. The production of these ores is even prevented under the present Grants Pass purchasing program by GSA, with the exception of the special provisions made for the low grade, high iron contained Montana ores being purchased under separate direct contract.

SUMMARY

1. My discussion of the proposed minerals bill has been confined mostly to the chromite section, as that is the mineral with which I am most familiar.

2. The western chrome miner must be supported by legislation which will either provide for an excise tax or import duties on foreign ores to create a fund for stockpile purchasing by the Government or, in lieu of such tax, it means a direct Government subsidy by use of budget appropriated funds as suggested by the Secretary of the Interior in the form of an incentive payment.

3. The bill proposed by the Secretary does not conserve our limited higher grade chromite resources.

4. Should the bill be amended for stockpiling, our chromite reserves could be developed and conserved in the stockpile or converted into other usable forms should storage of the ore be better conserved in that manner.

5. The western miner is a small operator and is not able to finance his operations under the method proposed by the Secretary's bill. He would have to stand the expense of mining and shipping the ore to eastern markets, if he could find one, and then await an undefined period of time until the agency delegated by section 204 of the act was able to process his sales receipts and forward him the bonus payment.

6. Present average production costs of hardrock chromite mining, including sales and freight, would exceed the moneys the miner would receive from sales to eastern purchasers plus the proposed bonus payment, less penalties, in most cases according to information that I have received.

7. Congress should be congratulated for again trying to pass legislation to protect the domestic minerals mining industry from being forced to close its operations. Closure of our mines will result in unemployment, loss of markets for equipment, transportation and mining supplies sales, and several sources of Federal and local taxes. The mining industry, when badly needed in time of emergency, would again have to dig out of rust and decay at high costs by far than the peacetime program of continued normal operating costs within a healthy atmosphere of reasonable profit or return on investment and labor.

8. If the United States must support the rest of the free world both morally

and physically, perhaps it is a good idea to give the American citizen a chance to earn the tax dollars that he must share for this program without, himself, suffering the hardships the United States is trying to alleviate for others. This can only be possible by the Congress enacting at this session a realistic mining program with sufficient provisions for excise taxes and other conditions which will permit the western miner to continue to operate in the face of low wage and inferior standards of living conditions that are presently producing foreign minerals and metals by United States subsidy extended by the Defense and State Departments in the interest of world peace and deterring of Communist aggression.

Respectfully submitted.

A. L. ATHERTON.

M. W. ZACK METAL CO.,
New York, N. Y., July 29, 1957.

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

DEAR SENATOR BYRD: You have under consideration legislation to impose a sliding scale of import taxes on lead and zinc. We know that there are pros and cons for the support of any bill. Supporting this legislation merely permits inefficiency to hold sway.

High-cost producers have been sheltered these past years by Government support in one form or other. To continue protection of these high-cost producers at the expense of industry at large and at the expense of injuring our relations with those countries that depend upon such exportation of these metals, is inexcusable.

Such import tax as proposed before your committee would alienate the United States from many Latin American nations. In addition, the United States is not self-supporting when our requirements are considered. We must import these metals in both good and bad times. Therefore, we cannot alienate ourselves from these countries because several producing factors aren't earning sufficient profits at current price levels.

In considering the total unemployment in the lead-zinc mining sectors as against the overall effect that such import tax will have in the countries concerned, we must ask our Congress to either subsidize the inefficient or penalize the countries involved and those segments of industry that depend upon these metals.

We urgently ask you to see that passage of this legislation be reconsidered.

Very truly yours,

EDWARD E. KRASNOV.

STATEMENT OF GEORGE L. BELL, PRESIDENT, COMMITTEE FOR A NATIONAL TRADE POLICY, IN REFERENCE TO S. 2376

By way of introduction, I wish to remind the members of the Senate Committee on Finance that the Committee for a National Trade Policy is an organization supported by businessmen and professional men who believe that United States leadership in the expansion of world trade and the reciprocal reduction of trade barriers throughout the free world is essential, not only to the prosperity and security of the United States, but also to that of the entire free world. It also cooperates closely with a large number of national and regional organizations of industry, labor, agriculture, and general consumers which are in general agreement with these principles and objectives. Our committee's major purpose or aim is the promotion of wide public understanding of issues relating to international trade and of the effect United States actions, or proposed actions, in this field will have upon our own economy and security, as well as on the economies and security of our friends and allies abroad.

It is because of these views and objectives that we have carefully examined the proposals incorporated in S. 2376, now under consideration by your committee. This bill would repeal the existing tariffs on lead and zinc, and impose instead sliding scales of excise taxes on all imports of these minerals, fluctuating so as to maintain prices at designated levels. In support of these proposed measures it is argued that the recent sharp decline in prices of these minerals, combined with the threats of increased imports, has created a serious situation in the industry which requires this type of assistance.

First, let me hasten to say that our committee is passing no judgment on the question as to whether the lead and zinc industry has or has not been seriously injured, or whether such injury, if it exists, has been caused by excessive imports. We do not have the requisite staff to make the investigations and analyses necessary to reach conclusions on those questions. In fact, in expounding our position herein we are assuming the existence of a serious economic situation to which imports have been a real contributing factor.

Therefore, our argument is directed solely to the point that the method of relief proposed in this bill is not the proper approach and does not constitute a sound basis on which to form a long-term policy for handling such situations in this or any other United States industry in which foreign trade is involved. We respectfully submit that if the Congress should adopt this sort of an ad hoc, empirical attempt at a solution in one isolated industry, it will not only open up the floodgates to appeals from all industries in similar situations for like treatment, but will in effect repudiate the long-established and oft-renewed Trade Agreement Act and the basic trade policies contained therein which have been followed for so many years. Surely such repudiation of overall trade policies should not come about through hasty action in an isolated case. In the Trade Agreement Act, the Congress has set up very specific provisions for the relief of any industry claiming injury.

As your committee is well aware, these provisions are spelled out in the act in what is generally known as the "escape clause' and the "defense essentiality" clause of section 7. These afford to all appellants assurance of full investigations and public hearings, which should result in fair and equitable judgments. To permit the short-circuiting or evading of these established procedures debases their integrity, depreciates their value, and leads ultimately to the complete destruction of their usefulness. If the Congress yields to the request in this bill for special protection in a particular industry, without that industry having been required to follow the procedures established by law and submit to the unbiased judgment of the Tariff Commission or the Office of Defense Mobilization as to its distress, one may confidently expect that no industry similarly situated will be disposed in the future to utilize those procedures of the law. Congress would open wide the door for appeals direct to itself for direct action by legislation. It is hardly an exaggeration to say that this is the way back to the days of 1930 in the handling of trade and tariff matters—days that, the late Senator Vandenberg declared, rather than endure again he would resign his seat.

Next, with further reference to the Trade Agreements Act, it should be noted that some 3 years ago the lead and zinc industry did appeal to the Tariff Commission and, after investigations and hearings, the Commission held that the industry was being injured and recommended to the President a compensatory increase in the tariffs. The President refrained from such action because a program of stockpiling these metals was instituted which he felt would be more effectively correct the situation. Certainly the industry can now go back to the Tariff Commission for a reexamination and, if it can prove its case, request either higher tariffs or import quotas. Or, if the industry prefers, there is nothing to prevent an appeal to the ODM if the industry believes it can prove a case of "defense essentiality."

Next, we wish to comment on some other aspects of the proposal to grant indirect relief by the imposition of import taxes, varying in amount with lead and zinc prices:

First, it must be realized that this would result in inflationary pressures and higher costs to consumers of an unusually wide variety of articles. Lead and zinc are widely used raw materials in industrial production. Uses range from zinc diecastings in automobiles, lead in batteries, in gasoline, in cable coverings, in collapsible tubes, in plumbing equipment, to zinc galvanizing of steel, to zinc in brass and bronze, to lead in paint and in typography. Additional costs to ultimate consumers and the contribution to general inflation of the proposal are practically incalculable but some indication may be gained when one considers that in 1956 some $380 million of lead and $290 million of zinc was consumed in the United States in their refined forms. These figures represent sales to industries and manufacturers using lead or zinc in their final products. The familiar pyramiding process will suggest the ultimate cost to consumers of the higher proposed tax per pound tax (10 to 20 percent or more) on the refined raw material in terms of the prices they must pay for the final manufactured product at retail. Surely, under present circumstances of a generally inflationary situation it cannot be wise to attempt to afford relief to a domestic industry by measures which will contribute excessively and needlessly to that inflation.

Second, we submit that if your committee decides to recommend direct legislative action on this matter, instead of directing the applicant to the Tariff Commission or the ODM, it should consider S. 2395, introduced by Senators Murray and Mansfield, which offers a form of relief which would have no such wide inflationary effects. The production bonuses proposed in that bill would give prompt relief direct to the producers, would involve no price increases all along the line to consumers of products incorporating lead and zinc. Such bonus payments would involve a cost to the United States Treasury which would be reflected in somewhat higher taxes, but the amount involved would be far, far less than that involved in higher prices to all taxpaying consumers. If it be argued that the Government should not grant subsidies of this sort, we should remember that the higher prices caused by impositon of import taxes is in effect a continuing subsidy by the consumers, who are also the taxpayers—and it would cost them much more than the production bonus payments proposed in S. 2395.

Third, enactment of that bill would also avoid any repudiation of, or interference with, the Trade Agreements Act. As pointed out above, we believe such avoidance to be so basically important that, if the Congress is determined to give some relief by legislative act, then we believe it should be done in the manner proposed by Senators Murray and Mansfield.

Finally, we should also consider briefly the effect of this proposal on our relations with our friends and allies of the free world. Imports continue to account for some 40 percent of our lead consumption and 65 percent of our zinc consumption (without consideration of stockpiling). Canada, Mexico, Peru, and Australia are the principal sources. All of these countries are friendly and are our allies. In all cases their economies depend heavily upon the export of raw materials and particularly to the United States. Any action we may take to reduce those imports may have only the gravest repercussions on their economies, upon their standards of living and upon their confidence in the United States as the leader in the struggle for free world unity and security. More than that, the two most important of these countries from the standpoint of our sources of supply are within our immediate continental defense perimeter. Under no conceivable circumstances could enemy action render our access to essential supplies from these countries more difficult than from our own domestic sources. Our whole security posture depends upon the loyalty and confidence of our allies. A blow at their very livelihood such as this proposal entails could go far to destroy much of the progress we have so laboriously achieved in previous years at consolidating our common purpose and our common welfare.

In this connection we should consider also our international obligations as defined in the GATT. Article 3 of the GATT makes it quite plain that contracting parties must refrain from imposing excise taxes which discriminate against imports, i. e., excise taxes which apply solely to imports and not to domestic production. To impose such a tax would appear to be a direct violation of the general agreements which we were mainly instrumental in creating, to which we have adhered for some 9 years, and which is the basis of international trade cooperation and commercial fair play in the free world. The United States could, of course, contend that the term "excise tax" is a misnomer in this instance and the effect of this proposal is a direct increase in our tariffs. Such an interpretation would have the same practical consequences, i. e., in line with with our commitment in GATT we must make compensatory concessions on some other import or suffer retaliation against our exports. Thus some United States industry must pay the price in reduced exports, if it is an exporter, or in increased import competition if its sales are entirely domestic. Further, it should be remarked in this connection that with or without the GATT these immediate consequences would be the same. We must either make adequate compensation at the expense of some other domestic industry or suffer retaliation from the exporting countries concerned. Under no circumstances could we expect to get off scot free. The advantage of the GATT is, of course, that under the terms of that agreement the compensation or retaliation would be agreed upon and limited and would not lead to endless commercial warfare. Conesquences along these lines are inevitable and cannot but suggest that the net result will be a decrease in international trade, a flush of higher costs among the trading nations concerned, and a blow at international amity.

We respectfully submit that enactment of this bill would lead us down a road that could end in serious repercussions on our whole foreign policy. It would immediately impair our foreign trade policy, and that would start the undermining of our foreign economic and political policy, and perhaps ultimately our national security. We respectfully urge your committee to refrain from endorsing this bill.

STATEMENT SUBMITTED BY ELLSWORTH C. ALVORD, OF ALVORD & ALVORD, WASHINGTON, D. C., ON S. 2376—PROPOSED IMPORT TAX ON LEAD AND ZINC

It is not the purpose of this statement to take a position for or against the enactment of the import taxes on lead and zinc proposed in S. 2376 and in a number of identical bills introduced in the House of Representatives. However, if the Committee on Finance should decide that legislation of the nature proposed in S. 2376 is desirable, the consideration of the committee is directed to the following three technical points in connection with the proposed legislation:

First, a greater differential should be provided between the proposed tax on the zinc content of zinc-bearing ores and the proposed tax on zinc metal in blocks, pigs, or slabs;

Second, it should be expressly provided that the import tax is not imposed on the amount of lead or zinc lost in metallurgical processes—as is done under existing law in the case of the copper import tax; and

Third, it would be advisable for the committee to make clear that existing customs regulations and practices with respect to lead and zinc are intended to apply under the proposed import taxes.

1. THE TAX DIFFERENTIAL FOR ZINC IN ORES

In S. 2376, as introduced, the import tax provided for zinc-bearing ores when the market price for zinc is less than 12½ cents per pound would be 90 percent of the tax provided for zinc in blocks, pigs, or slabs—thus providing a differential of only 10 percent. The differential under the bill would be 12 percent when the zinc price is between 12½ cents and 13½ cents per pound, and it would be 20 percent when the zinc price is between 13½ cents and 14½ cents per pound. The present tariff on zinc in zinc-bearing ores is 0.6 cent per pound, which is 85.7 percent of the tariff on zinc in blocks, pigs, or slabs. Had the tariff rates been increased as recommended by the Tariff Commission in 1954, the percentage relationship between the two rates would have remained the same—that is, a differential of 14.3 percent.

Hitherto, the differential between the rate applied to zinc in zinc ores and that applied to zinc metal has apparently been based upon the fact that only a portion of the zinc in zinc ores or concentrates may be recovered as zinc metal. Consequently, if no differential were provided and the same rate per pound were applied to zinc in zinc concentrates as to zinc metal, the effect would be to tax the recoverable zinc from those concentrates at a substantially higher effective rate than that applied to zinc imported in blocks, pigs, or slabs.

Generally, something less than 90 percent of the zinc in zinc-bearing ores or concentrates can be recovered as zinc metal. Commercial practice in the industry in contracting for the sale or the custom smelting of zinc-bearing ores is to assume that the recovery will be 85 percent of the zinc content of the ores. Therefore, by setting a rate on zinc in zinc-bearing ores which is 90 percent of the rate on zinc metal, S. 2376 (and its companion bills in the House) would fail to recognize the full differential allowed by commercial practice in the industry and would reduce the differential provided under the present tariff.

In fact, the differential provided under the proposed zinc import tax in S. 2376 should be widened so as, not merely to equate the rate on the zinc content of zinc-bearing ores with the rate on zinc metal, but also to afford needed protection to our domestic smelters and refiners. If the differential is set merely to equate the two rates, the effect is to deprive the smelting and refining segment of the domestic zinc industry of any protection under the tariff or import tax system. In other words, if the differential equates the two rates exactly, the effective import tax will be the same whether the zinc is smelted in foreign smelters or in domestic smelters.

According to Bureau of Mines statistics there are 11,900 workers employed in the United States in establishments primarily engaged in smelting and refining zinc. This compares with 7,800 workers engaged in mining zinc in the United States and a total of approximately 33,000 workers engaged in mining, smelting, and refining both lead and zinc. Thus, the zinc import tax schedule proposed in S. 2376 would be of no help in protecting the jobs of over a third of the workers in our domestic lead and zinc industry. (In contrast, the proposed bill would provide a differential between the tax on lead in lead-bearing ores and the tax on lead bullion of from 33⅓ to 50 percent, and the differential in the case of lead under existing law is 29.4 percent.)

The domestic zinc smelting and refining industry could not support itself if all foreign zinc were processed before being imported into this country. United

States slab zinc productive capacity was 1,161,400 tons in 1956, when the production of recoverable zinc from United States mines was only 537,643 tons. At its highest level in the last 9 years, production of recoverable zinc from United States mines was 681,189 tons, or a little over one-half of the domestic slab zinc productive capacity. Thus, after giving full effect to the domestic mine production contemplated under S. 2376, it would still be vital to the domestic zinc smelting and refining industry that imports of zinc be in the form of ores or concentrates rather than zinc metal.

The establishment of a proper differential between the proposed import tax rates on zinc in ores and zinc metal is extremely important not only to the businesses concerned, but also to their workers, to local businesses in the communities where the smelters and refineries are located, and to the railroads which haul ore to them. Establishments primarily engaged in smelting or refining zinc are located as follows: 3 in Oklahoma, 4 in Illinois, 3 in Pennsylvania, 1 in West Virginia, 1 in Arkansas, 3 in Texas, 2 in Montana, and 1 in Idaho.

We suggest that, if an import tax on zinc is enacted, a differential of 30 percent should be established between the tax rate on zinc metals and the tax rate on zinc and zinc-bearing ores. This conforms with the differential suggested by Mr. Charles E. Schwab, Chairman of the Emergency Lead-Zinc Committee, in his statement before this committee in which he suggested that the schedule for imported crude ore or concentrates be 70 percent of his suggested tax rates.

2. ALLOWANCE FOR LOSS OF LEAD AND ZINC IN METALLURGICAL PROCESSES

The present tariff on lead applies to the lead content in copper, gold, tin, or silver ores, or in copper mattes and to the zinc content in lead, tin, or copper ores only when such lead or zinc is actually recovered. Furthermore, in the computation of drawback on the tariffs on lead and zinc metal exported and for purposes of meeting the conditions for release of lead and zinc from bonded smelters and refineries for export, full allowance is given for lead or zinc lost in metallurgical processes. However, under present law allowance is not made for metallurgical waste with respect to lead in lead ores or zinc in zinc ores which is imported and processed and used domestically. S. 2376 and its companion House bills would carry over the same treatment (or differences in treatment) as are provided under present law.

When the import tax on copper was first imposed by the Revenue Act of 1932 a full allowance was made for copper lost in metallurgical processes. Since that time the copper import tax has provided that "no tax shall be imposed * * * on copper which is lost in metallurgical processes" (sec. 4542 (a) of the Internal Revenue Code of 1954). The same principle should be applicable to lead and zinc.

Full allowance for losses in metallurgical processes would be consistent with the provisions of the copper import tax, would be consistent with the present treatment of the lead or zinc content of primary ores of other types, and would be consistent with the present treatment of exported lead and zinc. It is accordingly suggested that, if the proposed import taxes on lead and zinc are enacted, they contain a general provision to the effect that no tax shall be imposed on lead or zinc which is lost in metallurgical processes.

The determination of metallurgical losses under this recommendation will present no administrative problem. Such losses are already being calculated for each plant under present law in order to determine the proper credit for wastage of metal allowable on the export of processed lead and zinc from bonded smelters and refineries.

3. CONTINUATION OF PRESENT ADMINISTRATIVE PROVISIONS

The import taxes on lead and zinc proposed by S. 2376 and its companion bills in the House would be subject to section 4601 of the Internal Revenue Code of 1954. Section 4601 provides that import taxes shall be levied, assessed, collected, and paid in the same manner as customs duties. Consequently, it is reasonable to suppose that the existing customs regulations and administrative practices with respect to lead and zinc would continue to be fully applicable under the proposed import taxes. However, to avoid any possible grounds for argument that the shift from a tariff to an import tax might make the existing rules inapplicable, it is suggested that, if the committee recommends favorable action on the proposed import taxes, it include in its report an explicit statement that it is the intent of the committee that the rules under the present tariff provisions on lead and zinc shall carry over and apply under the new import taxes.

STATEMENT OF THE CHIEF CONSOLIDATED MINING CO.

This statement is submitted on behalf of the company by its president and general manager, Cecil Fitch, Jr.

The Chief Consolidated Mining Co. is a corporation, organized in 1909, with general offices located at 608 Dooly Building, Salt Lake City, Utah, and with mining property approximating 11,000 acres located in the Tintic Mining District, Juab and Utah Counties, in the State of Utah.

Since its incorporation in 1909 the company has been a continuous producer of lead and zinc ores until June 15, 1957, when its operations closed for an indefinite period of time. A statement of the company's production record since 1909 is attached hereto and incorporated herein by reference. This statement offers the following pertinent information:

1. That since its inception in 1909, the company has produced in excess of 410 million pounds of lead, and 165 million pounds of zinc.

2. That since 1950, production amounting to approximately 60 million pounds of lead and 45 million pounds of zinc was produced at a loss in excess of $650,000 without allowance for depletion.

During August 1955, the company's management, recognizing the probable effect of our national policy regarding lead and zinc metals on prices paid for these metals in the foreseeable future, reluctantly decided to abandon and allow to flood its deeper and more expensive workings as unprofitable. This decision permanently lost the company and our country an inferred recoverable production from projected development amounting to 50 million pounds of lead and 65 million pounds of zinc. The probability that this metal will be mined in the future is very remote as it will now be too expensive for private capital to attempt its recovery.

Since August 1955, the company has engaged in exploration, development, and mining projects above the natural water level of the property in an effort to continue its operations under the then existing market price. The severe decreases in the market price of both metals during the past 4 months, and the unfavorable future in view of present conditions, caused the company's management to again review its competitive situation with the result the property was closed entirely on June 15, 1957, to await more favorable conditions.

Prior to August 1955, the company gave employment to 250 to 300 miners, and at the time its properties were closed it employed 85 miners. The company is the prime support of the city of Eureka and one of the leading industries in the county of Juab, Utah. The effect of these reductions on the economic life of the citizens of these communities is disastrous. Very few of the men laid off have been absorbed by the mining industry. Some remain unemployed and many have been absorbed by other industries. The problem of again recruiting an adequate labor force, should conditions again become favorable to domestic mining, will be of concern as well as one of the factors to be considered in the eventual reopening of the property, should such an eventuality occur.

It is the considered opinion of the management of this company, that without the assurance of adequate price support, it will be unwise to either reopen its present operations or to invest further in the exploration and development of 11,000 acres of mineralized ground.

CHIEF CONSOLIDATED MINING CO.,
By CECIL FITCH, Jr.,
President and General Manager.

Production, assay values, and metal prices, etc.—Jan. 1 to Dec. 31, 1950

	No. 1 Chief	No. 4 Eureka Hill	Plutus Mine	Eagle and Blue Bell	Totals and averages
Metal contents:					
Gold .... ounces	422	6	97	1,602	2,127
Silver .... do	62,114	1,092	70,995	200,997	335,198
Lead in lead ores .... pounds	1,460,832	8,777	342,467	2,369,989	4,181,065
Lead in zinc-lead ores .... do	352,481			2,396,004	2,748,488
Zinc in zinc-lead ores .... do	440,663			2,228,774	2,669,437
Assay values:					
Gold .... ounces	.022	.024	.019	.036	.031
Silver .... do	3.292	4.299	13.593	4.565	4.902
Lead in lead ores .... percent	4.48	1.73	3.18	4.29	4.23
Lead in zinc-lead ores .... do	7.10			7.30	7.27
Zinc in zinc-lead ores .... do	8.88			6.79	7.06
Average gross value per ton .... dollars	21.52	10.30	23.18	27.16	25.24
Smelting, freight, and sampling .... do	15.66	8.48	12.22	18.25	17.04
Average net value per ton .... do	5.86	1.82	10.96	8.91	8.20
Classified tonnage per ton:					
Dry siliceous ores	16,035	254	5,223	27,428	48,940
Silver-lead ores	354			185	539
Zinc-lead ores	2,481			16,414	18,895
Total	18,870	254	5,223	44,027	68,374
Average prices received for metals:					
Gold per ounce .... dollars	34.9125	34.9125	34.9125	34.9125	34.9125
Silver per ounce .... cents	.9085	.9069	.9087	.9079	.9082
Lead per pound .... do	.16	.16	.16	.16	.16
Zinc per pound .... do	.135			.135	.135

Chief consolidated and subsidiary companies—General summary of production

Year	Gold ounces	Silver ounces	Pounds lead (in lead and zinc-lead ores)	Pounds copper (in copper ores)	Pounds zinc (in zinc-lead ores)	Pounds manganese	Dry tons	Net from smelters	Profit for year
1909 to 1919	50,067	12,369,776	62,823,420	382,383	2,188,373	360,716	453,547	$8,726,120.64	$3,155,847.51
1920	4,461	2,622,132	12,717,410	3,814	212,906		82,430	2,032,369.83	357,380.45
1921	4,353	3,262,241	12,496,433	11,563			93,267	2,160,706.60	362,728.03
1922	11,931	4,437,033	19,779,418	957,825			133,790	3,528,776.13	729,417.83
1923	13,241	4,062,412	26,511,075	1,079,516	324,557		143,369	3,389,959.88	731,589.33
1924	14,608	2,729,917	22,715,662	922,699	49,462		126,221	2,186,917.62	263,175.92
1925	17,315	3,202,278	25,806,286	1,732,035	2,849,612		173,783	2,892,620.33	564,609.85
1926	10,148	2,577,575	31,566,701	1,466,299	14,674,955		159,315	2,559,176.08	580,127.63
1927	6,762	1,950,585	21,261,426	539,998	1,069,663		113,981	1,527,374.50	199,064.70
1928	3,846	1,244,844	12,163,714	456,097	9,822		58,733	919,067.67	92,186.85
1929	4,496	1,205,807	8,628,839	562,334	700,009		73,500	719,111.54	131,540.40
1930	2,914	848,188	4,267,967	538,593	905,543	757,255	47,751	349,685.09	[1] 74,733.47
1931	2,569	487,684	2,178,893	284,170	851,217	352,217	24,565	158,005.45	200,348.30
1932	897	88,845	381,251	104,449	160,824		8,464	20,039.78	[1] 204,266.95
1933	207	88,890	565,729	22,200	510,590		5,595	32,948.15	[1] 134,866.84
1934	1,049	331,792	1,055,128	62,578	26,674		19,786	167,912.64	[1] 65,575.19
1935	771	276,881	819,946	45,821	24,625		18,735	156,472.83	186,713.19
1936	1,352	258,384	287,216	34,732	127,155		18,939	163,538.26	[1] 212,359.27
1937	1,674	324,518	1,424,416	121,811	1,095,635	42,079	33,849	213,193.80	[1] 95,983.60
1938	1,575	307,696	1,278,101	106,233	816,749		28,681	164,619.27	[1] 112,607.36
1939	3,601	345,788	919,847	117,569	367,460		40,337	223,577.21	5,240.38
1940	4,684	392,116	776,291	100,162	341,550		46,528	277,311.52	[1] 4,706.20
1941	3,470	361,832	1,448,574	74,436	2,061,340	527,984	56,931	256,648.21	[1] 54,149.48
1942	2,866	290,665	2,247,966	37,216	4,257,034		74,832	379,529.83	38,903.58
1943	1,282	232,727	3,552,404	25,857	6,233,351		61,810	620,527.91	88,434.19
1944	1,322	291,479	5,076,239	77,303	10,232,763		80,514	793,863.51	119,594.59
1945	1,244	301,959	4,305,951	55,231	7,721,831		75,110	608,708.91	[1] 21,516.50
1946	1,522	380,945	6,793,721	22,476	9,506,282		85,128	959,758.19	78,510.01
1947	2,029	676,500	11,586,803	128,915	9,642,281		93,676	1,264,014.47	50,201.32
1948	2,401	897,526	13,539,196	139,433	11,312,368		118,083	1,709,053.58	188,353.56
1949	2,322	821,545	14,626,864	53,717	15,965,386	231,553	124,475	1,594,713.62	196,466.76
1950	3,602	959,885	17,164,906	77,713	16,763,732	106,736	169,474	1,464,545.34	30,425.77
1951	2,909	723,630	12,184,844	104,531	8,425,910		125,318	1,336,408.12	[1] 279,116.26
1952	2,323	632,443	10,510,620	82,822	7,067,609		102,632	1,326,380.18	127,317.45
1953	2,984	574,692	9,110,847	102,650	5,904,661	20,250	114,070	903,405.02	[1] 248,818.71
1954	3,093	713,367	11,537,568	78,456	11,009,831		109,901	1,358,481.35	4,513.15
1955	2,389	486,248	9,499,634	42,192	9,186,555		86,286	1,064,819.61	[1] 152,142.87
1956	2,127	335,198	6,929,553	122,249	2,669,437		68,371	560,577.67	[1] 102,920.48
Total	200,496	52,098,123	410,540,082	10,878,115	165,711,842	2,398,784	3,451,780	48,770,940.34	6,718,927.57

[1] Loss.

NEW YORK & HONDURAS ROSARIO MINING CO.,
New York, N. Y., July 23, 1957.

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

DEAR SENATOR BYRD: In view of the activity of domestic producers of lead and zinc in the United States to induce Congress to raise excise taxes on imports of these metals, I should like to submit the following views for your consideration:

The New York & Honduras Rosario Mining Co., of which I am president, has conducted mining operations in the Republic of Honduras since 1880. Our present operations produce lead, zinc, and silver. The recent decline in metal prices has, naturally, affected us adversely. A further burden of increased excise taxes on lead and zinc, which we ship to the United States for treatment, would be a severe hardship for this company and for the economy of Honduras. Although the general intent of tariffs is to minimize or prevent foreign competition with United States production, nevertheless, I believe it is of considerable significance that we are a United States corporation with United States shareholders, and not a foreign corporation.

Inasmuch as it has been the policy of our Government to try to improve the economies of friendly countries, and substantial United States funds are used in such programs, the proposed lead-zinc tax plan would obviously nullify the effect of that policy. Our operations in Honduras employ approximately 650 to 700 workmen, and we are maintaining a community of approximately 3,000 persons. The proposed increased tariffs would undoubtedly damage our operations, or cause the company to reduce its activities in a manner that would perforce have an adverse effect on the economy of Honduras, as well as on the lives of our workmen and the community in our area. We purchase our equipment and operating supplies from United States suppliers. Certainly, curtailing or eliminating operations as the result of the proposed tariffs would, in turn, affect the foreign commerce of many United States manufacturers.

I sincerely believe that it is in the interest of the United States, as well as the Republic of Honduras, not to enact additional excise taxes on lead and zinc imports.

Respectfully yours,

R. M. REININGER, *President.*

INDUSSA CORP.,
New York, N. Y., July 30, 1957.

CHAIRMAN, SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

SIR: We refer to the proposal by the Secretary of the Interior for a sliding-scale excise tax on imports of lead and zinc which would be applied either in replacement of or in addition to the existing import duties.

As an American firm specializing in foreign trade, especially with Belgium and with the Belgian Congo, we believe that the imposition of such sliding-scale excise taxes is contrary to the best interests of the United States.

Our reasons for this belief are as follows:

1. Domestic production of zinc and lead ore is insufficient to cover domestic consumption, as can be verified by the statistics of the American Zinc Institute and the Lead Industries Association, associations of American producers.

2. Since the United States must import a substantial proportion of its requirements in zinc and lead, the imposition of additional import taxes on these metals would have the result of penalizing domestic consumers of these 2 metals by forcing on them higher prices for these 2 raw materials than are enjoyed by their competitors abroad.

3. The countries exporting substantial quantities of lead and zinc to the United States including Belgium and the Belgian Congo are important purchasers in the United States of many products, most of them manufactured products. The imposition of additional duties and/or import taxes would, naturally, have the effect of cutting down the dollar earnings of these countries and might result in necessitating their cutting down their imports of American products.

4. The imposition of the proposed taxes might lead the affected foreign countries to retaliate by increasing their import duties against American products.

5. If the proposed bill becomes a law, the prices of lead and zinc will fluctuate frequently due to the sliding-scale feature of this proposed bill.

6. The Belgian Congo is well placed, geographically, to export zinc to the United States. In the event of a war in Europe, the Belgian Congo would remain accessible to the United States. In this connection, it is worth remembering that during World War II the Belgian Congo was an extremely important supplier of many strategic materials to the United States, including copper, zinc, cobalt, uranium, and tin.

We urge that the proposed bill not be passed. We feel, rather, that any specific lead and zinc mines that it is deemed need relief should be given individual aid as required.

Very truly yours,

A. A. FRANCK, *Executive Vice President.*

STATEMENT OF S. K. DROUBAY, GENERAL MANAGER, UNITED PARK CITY MINES CO., PARK CITY, UTAH, ON THE SUBJECT OF SLIDING SCALE IMPORT TAXES ON LEAD AND ZINC

Gentleman, my name is S. K. Droubay. I am general manager of the United Park City Mines Co., located in the Park City mining district, Utah, approximately 35 miles east of Salt Lake City. I am a graduate mining engineer and have an honorary professional degree from the University of Utah in 1956.

I am here to testify because I feel that America is threatened with the loss of its important domestic lead-zinc mining industry. We hear men in various high offices say that our domestic mining industry cannot compete with foreign markets because domestic ore reserves are limited and are low in grade. This may be the case under present circumstances, but it is true only because American capital has been channeled away from our own country to foreign areas. American investors, given a favorable chance for profit, will keep our domestic industry alive and healthy. One only needs to examine the records of the past to see how true this is. Uranium, tungsten, mercury, and copper mining have all demonstrated that domestic ore reserves can be developed if the industry is kept alive and given an incentive to operate. Once a mining industry is dead it takes many years to bring it back to life because workings cave in and skilled miners are lost.

Our lead-zinc industry has been in the process of being liquidated for quite a few years because it has mined out much of its ore reserves in trying to survive. Using up high-grade ore and cutting out development work has been the only way to combat the inflationary trend of the cost of labor and supplies when the return from its product is kept constant. We are like a grocer selling groceries from the shelf for just enough money to pay for his rent and his clerks. When the shelves are empty he is out of business because he cannot replace his stock.

If the American investor could be assured of an even break in competition with the low labor costs of our foreign neighbors, investment money will pour into domestic mines with a result that would be beneficial to all. Not only would our Nation be safeguarded against emergency conditions, but the large segment of American people who depend on mining for a living would be able to enjoy full employment and they could also enjoy average American prosperity.

The American underground miner is a highly skilled technician who becomes efficient in his job only through years of experience. If this fine profession is killed off, then the entire American economy will suffer in the long run. Once our foreign neighbors kill off our domestic industry, then, as in the past, Americans will pay all the traffic will bear for his needs. The 50-cent copper and the 30-cent zinc of a short time back, when domestic prices were held at lesser prices, is a painful but clear example.

I would like to outline very briefly the history and the present predicament of the mining company that I represent as general manager.

In 1952, the two great mining properties of Park City and the Park City mining district, Silver King Coalition Mining Co. and Park Utah Consolidated Mines Co., realized that there was mutual advantage in combining their resources and continuing their operations as a single company. Like so many other domestic lead-zinc mines, they had concentrated on producing metal for war without carrying on sufficient development work. Manpower shortages, together with ceiling prices on metals, made it impossible to develop new ore as reserves were mined out or to set aside enough capital to do the job when the wars were over. They were unlike most foreign lead-zinc enterprises who were able to take advantage of the world prices during wars and expand their operations with cheap labor in order to capture markets in times like we are faced with today. As a result, the two former companies are now combined into the United Park City Mines Co.

United Park City Mines Co. property covers an area of over 10,000 acres in size and represents one of America's greatest potential producing areas for lead and zinc. Between the years 1875 and 1957, the property produced 11,616,548 tons of ore, for which payment of revenue amounted to $258,184,214. Smelters and allied industries probably realized an equal sum in processing the ore and its products. Some 2,000 men were employed at the mines when production was normal. The property has recorded the following production through the years 1875 through 1956:

Lead	pounds	2,261,529,901
Zinc	do	896,352,651
Silver	ounces	194,141,486
Gold	do	447,260
Copper	pounds	60,022,476

Early-day production consisted primarily of silver. Shallow workings throughout the district, together with the rich Ontario vein, produced an abundance of this metal before the year 1900. After 1900, the base metals of lead and zinc came more into the picture, and the average grade of production between 1902 and 1953 was as follows:

Lead	percent	9.00
Zinc	do	9.50
Silver	ounces per ton	11.00
Gold	do	0.04

Production until recent years came from large ore bodies about the main drain tunnel. Production costs were very reasonable, and it was not difficult for the mines to compete with foreign enterprises. But, since the beginning of World War II, ore reserves have been drastically reduced and costs have become higher because of the following reasons:

1. Cost of labor and supplies have increased to a much greater rate than has income from ores at the same uniform grade.
2. Ore reserves have advanced to the deeper portions of the mine where pumping and hoisting impose additional costs.
3. Development work was neglected during war years because of manpower shortages and ceiling prices on metals; therefore, the added burden of making up for this loss must be carried on in addition to normal development work.
4. Returns to mines from the smelters have gradually diminished because of increased smelting and freight charges, which may be illustrated as follows:

Cost of treatment of lead-smelting ore, 1947–56 (15 percent lead grade, at 16-cent lead, with treatment, transportation, refining, and marketing costs applicable at each date deducted

	July 1947	July 1951	July 1956	January 1957	Differences 1947–57
Gross metal payments per ton ore	$47.73	$44.21	$43.41	$43.04	[1] −$4.69
Less smelting and railroad freight costs, ton	$16.25	$18.73	$23.08	$23.43	[2] +$7.18
Net value per ton f. o. b. cars railroad shipping point or net to mine to pay all mining costs and transportation to railhead	$31.48	$25.48	$20.33	$19.61	−$11.87
Loss in mine net in cents-per-pound lead	------	2.0	1.7167	.24	3.9567

[1] Differences due to increased bullion freight and refining costs.
[2] Differences due to increased labor, fuel, supply, and overhead costs.

Comparison of 1950 and present costs for zinc smelter treatment and freight on zinc concentrates and metal, zinc metal at 13.5 cents (toll contract)

	1950	January 1957	Increase	Percent increase
Base treatment rate per ton of concentrates	$37.50	$46.53	$9.03	24
Freight on per ton of concentrates to smelter	7.84	10.02	2.18	28
Cost per ton of concentrates	45.34	56.55	11.21	25
Cost per pound of slab zinc	.0487	.0608	.0121	
Cost of freight on slab zinc to consumer per pound	.0079	.0122	.0043	
Total cost, freight and smelting per pound	.0566	.0730	.0164	29
Net to mine for mining and milling, at 13.5 cents zinc, per pound	.0784	.062		
Percent of market price returned to mine and mill operator	58	46		

In June of 1952, United Park City mines were closed because of a labor strike. Then, metal prices began to fall before the wage demands were settled. Consequently, the mines remained closed until October 1954. Government stockpiling had stimulated the price of metals and because the company treasury was getting very low, a crew of men was employed and production was once more started. Development work was neglected at first until the company treasury was replenished to a modest extent. The company then adopted a full-fledged exploration program which was carried on until recent reductions in metal prices made it necessary to reduce the program to practically nothing.

We must now make a decision whether to continue operating without doing enough development work (which is slow death to a mine) or to shut down and suffer a $30,000 to $50,000 per month shutdown expense. Either case would prove disastrous if prolonged many months because bankruptcy would take over. And, I might explain that if our many miles of drain tunnels, hoisting shafts, and mine workings in general, are abandoned to rotting timbers and caving ground, it would be economically unsound and physically impossible to resume operations in case of war or emergency.

Secretary Seaton has described the plight of the domestic miner very clearly in his statement that accompanied the announcement of the long-range minerals policy. Also, many spokesmen for the industry such as Messrs. Otto Herres and Miles Romney from Utah, have explained our serious situation many times to congressional bodies in Washington. I would like to outline a few statistics that represent the operations of United Park City mines during the 16-month period from January 1, 1956, through April 1957, when lead-zinc prices were stable at 16 cents and 13½ cents, respectively:

Period of operations equals 16 months
Pounds of lead plus zinc in crude ore production=38,225,953
Pounds of lead plus zinc paid for by the smelter=27,630,950
Average percent of production paid for by the smelter=72 percent
Operating loss during period=$176,745
Average loss per pound of lead plus zinc paid for=0.643 cent
For each 1-cent nicrease in price the mines net: per pound of lead 0.83 cent; per pound of zinc 0.39 cent

Therefore, with average grade of production and crediting payment for gold and silver to operating costs, it would roughly take a 1-cent increase in lead price and a 2-cent increase in zinc price to afford a break-even operation and show a very slight profit. This would have meant a 17-cent lead price and a 15½-cent zinc price.

For example, if prices had been 18 cents for lead and 15½ cents for zinc the United Park City Mines Co. outcome for 16 months would have been:

Increased income for lead equals 2×0.83 cents×13,322,564 pounds equals	$220,000
Increased income for zinc equals 2×0.39 cents×14,308,386 pounds equals	111,000
Total	331,000
Less operating loss for period equals	176,745
Total profit for 16 months equals	164,255
Equals annual profit	123,000

$\frac{\$123{,}000}{\$14{,}000{,}000}$ equals 0.88 percent or less than 1 percent per year on investment.

United Park City mines, together with their neighbor New Park Mining Co., represents the industrial backbone of an extended area of 15,000 population. Towns such as Park City, Heber, Kamas, Peoa, Oakley, and Coalville are very much dependent on the mines for their economic well-being. In addition, many business firms in the Salt Lake Valley do business with the mines. Closure of the mines would have a sad effect on all of these people, especially those who have lived in this area most of their lives, most of whom owning their own homes.

Permanent close of United Park City Mines would turn Park City into a ghost town. This would render over 600 miners' residences and approximately 50 business houses valueless. This would be a tragic loss to the individuals who own this real estate and would mean a great loss in revenue to the county, the State, and to the United States of America.

The accompanying charts give a graphic picture of the operations of United Park City Mines Co.

Chart No. 1 represents the combined market price of a pound of lead and a pound of zinc through the years 1935 to 1955, plotted against the cost of production. Since ore as it comes from the mine contains approximately equal proportions of lead and zinc, it is difficult to separate the cost of each metal, so the total cost of production (less credits for the value of gold and silver), divided by the total pounds of lead and zinc equals the cost of production per pound of metal.

On chart No. 1, the measurements below the red line equals the combined cost of producing 1 pound of lead and 1 pound of zinc and the measurements below the black line is equal to the combined market price of a pound of lead and a pound of zinc. The yellow equals the profit netted for each pound of metal paid for by the smelters and the red represents the operating loss per pound of metals paid for by the smelters. You will note, that for the years 1949, 1952, 1953, 1954, and 1956, the mines did not receive as much money for the metal as it cost them to produce it. You will also note, that during the years 1940 through 1945 the mines showed a substantial profit because of wartime premium payments and because of manpower shortages very little development work was carried on. This lack of development work is a main factor contributing to the years of loss from 1948 to the present time.

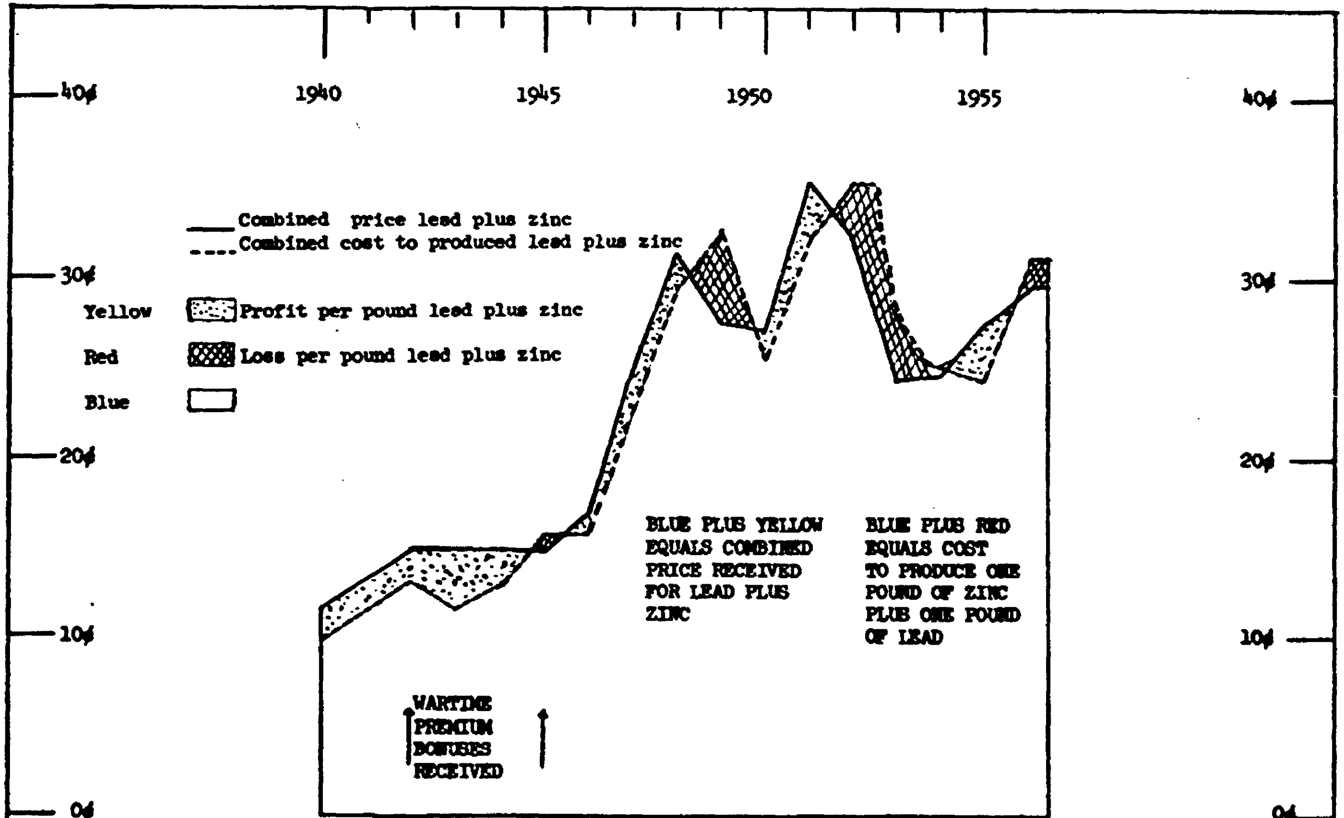
Chart No. 2 shows the distribution of value in a ton of ore, a pound of lead, and a pound of zinc during the year 1956 when the market price of lead was 16 cents per pound and the market price of zinc was 13½ cents per pound. This chart illustrates how the returns of value to the mine was gradually reduced over the years as smelting, milling, and freight costs were increased with the inflationary trend. Since the operations lost money during this year, the various costs of mining were greater than the net return to the mine.

In summary, I would say experience has shown that many mines cannot stay in business with the price of lead at 16 cents per pound or less and the price of zinc 13½ cents per pound or less. Steps must be taken to stabilize prices at a higher figure. Anything less than 17 cents per pound for lead and 14½ cents per pound for zinc would not enable the independent lead-zinc miner to stay in business and carry on a balanced development program.

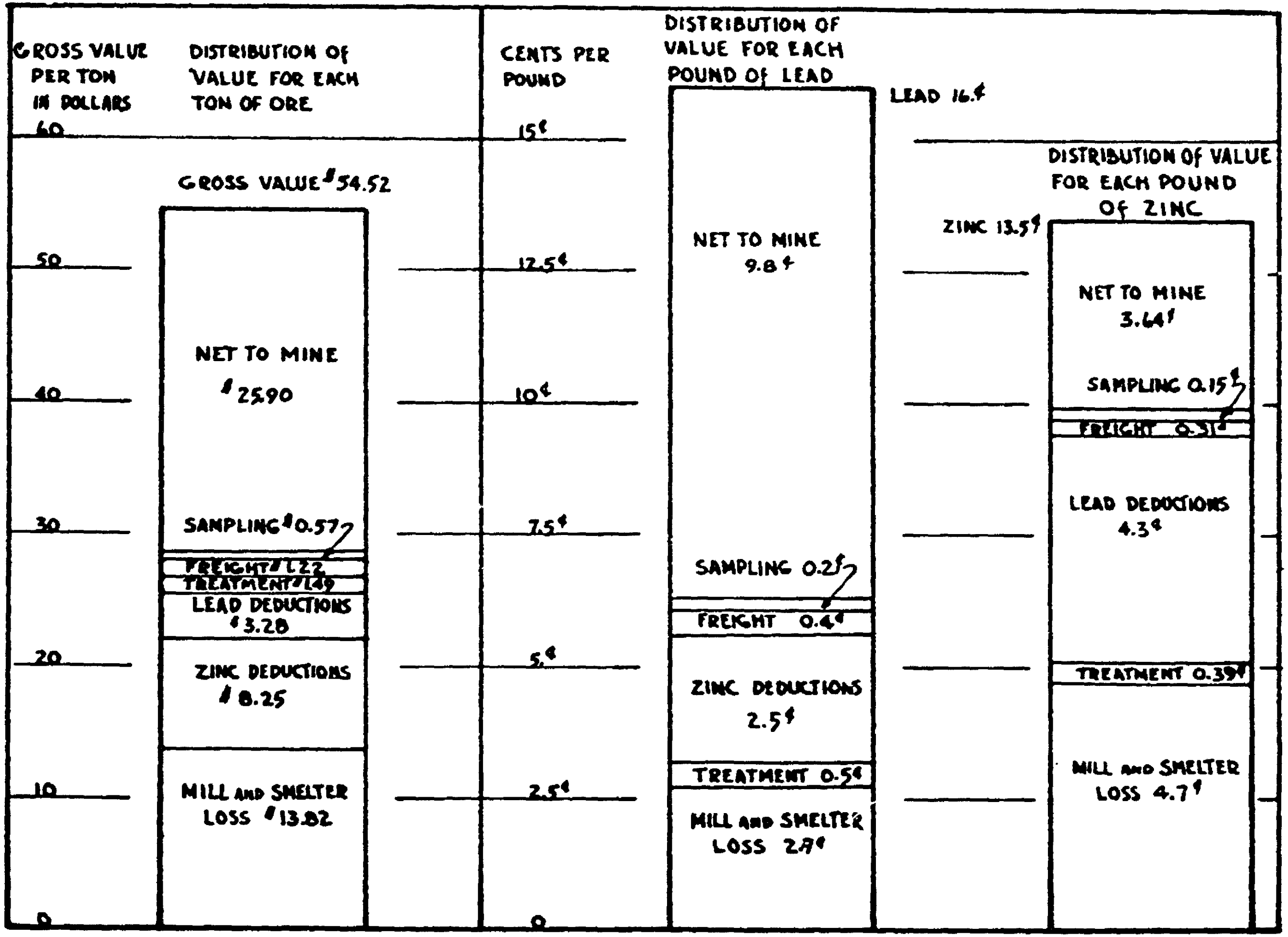
Respectfully submitted.

S. K. DROUBAY, *General Manager.*

UNITED PARK CITY MINES



PRICES RECEIVED AND COSTS TO PRODUCE LEAD AND ZINC
(1940 THROUGH 1956)


GROSS VALUE PER TON IN DOLLARS
DISTRIBUTION OF VALUE FOR EACH TON OF ORE
60
50
40
30
20
10
0
GROSS VALUE $54.52
NET TO MINE $25.90
SAMPLING $0.57
FREIGHT $1.22
TREATMENT $1.49
LEAD DEDUCTIONS $3.28
ZINC DEDUCTIONS $8.25
MILL AND SMELTER LOSS $13.82
CENTS PER POUND
15¢
12.5¢
10¢
7.5¢
5¢
2.5¢
0
DISTRIBUTION OF VALUE FOR EACH POUND OF LEAD
LEAD 16.¢
NET TO MINE 9.8¢
SAMPLING 0.2¢
FREIGHT 0.4¢
ZINC DEDUCTIONS 2.5¢
TREATMENT 0.5¢
MILL AND SMELTER LOSS 2.7¢
DISTRIBUTION OF VALUE FOR EACH POUND OF ZINC
ZINC 13.5¢
NET TO MINE 3.64¢
SAMPLING 0.15¢
FREIGHT 0.31¢
LEAD DEDUCTIONS 4.3¢
TREATMENT 0.39¢
MILL AND SMELTER LOSS 4.7¢

AUSTINVILLE, VA., *August 7, 1957.*

Hon. HARRY FLOOD BYRD,
Senate Office Building,
Washington, D. C.:

Urge that you support legislation to protect the zinc mining industry in Virginia. Our jobs and the welfare of our families are involved. Zinc-bearing ore, which is the product we mine, should be 85.8 percent of whatever rate of protection you grant in zinc metal. This is the historical relationship and is necessary in order to give equal protection to our mines.

T. L. BEASLEY,
President, Local 5075, United Steel Workers of America.

WEIL, GOTSHAL & MANGES,
Washington, D. C., August 6, 1957.

Hon. ROBERT S. KERR,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KERR: We unfortunately did not receive notice of the Finance Committee's recent hearings on the proposed levy of excise taxes on lead and zinc imports, and accordingly it was impossible for us to appear and testify.

Since those hearings were concluded, however, we have prepared and submitted for the Ways and Means Committee of the House a statement on behalf of International Selling Corp. in opposition to the proposed levy.

In order to bring this statement, and the facts and positions upon which same is predicated, to your attention, we are forwarding herewith a copy of the aforementioned House statement.

We sincerely hope your committee and the Senate will reject the proposed piecemeal legislation, which, we believe, will have such serious effect upon this country's trade relations with the free world, upon the economies of so many of our friends abroad, and indeed upon our own domestic economy and national defense.

Thanking you for your attention to this matter, we are,

Respectfully,

WEIL, GOTSHAL & MANGES,
By ED L. MERRIGAN,
Attorneys for International Selling Corp., New York, N. Y.

STATEMENT OF WEIL, GOTSHAL & MANGES ON BEHALF OF INTERNATIONAL SELLING CORP. IN OPPOSITION TO THE PROPOSED EXCISE TAXES ON LEAD AND ZINC IMPORTS, BEFORE THE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES

This statement is submitted by Weil, Gotshal & Manges, of New York City and Washington, D. C., as attorneys for and on behalf of International Selling Corp., hereinafter referred to as "Intsel." Intsel is a New York corporation, with offices located in the city of New York. The company, over a long period of years, has engaged in the importation of lead, zinc, and other metals and minerals from France, Italy, and Spain. Lead and zinc constitute approximately 50 percent of Intsel's nonferrous imports; and these nonferrous imports, in turn, represent a very large portion of Intsel's total business.

The elimination of present tariffs on lead and zinc and imposition of high excise taxes, as proposed by the pending legislation and the Interior Department's long-range minerals program, would have a truly disastrous effect upon Intsel's business, and in turn, upon the lead and zinc industries of this country's allies in Europe.

The proposal is extremely shortsighted. It constitutes a new attempt on the part of this Government to penalize the economics of friendly nations abroad, as part of a very belated effort to correct the Government's own lead and zinc mistakes of the past. It seems to represent a brand-new phase of the "free-trade retreat," wherein we now seem bent upon marching down the hill of unhampered free-world commerce which we so tortuously climbed after World War II. President Eisenhower, in 1954, refused to take this backward step with regard to lead and zinc, and there is little reason for the Congress to change this policy at this time.

The pending proposal, and others like it, obviously are aimed at keeping imports from NATO nations out of this country. With regard to metals, such as those involved here, the United States simultaneously wants its allies not to trade with the eastern nations—those under the yoke of communism. If programs such as the present one are enacted, where, then, are our friends abroad to trade?

This committee, charged as it is with providing revenues to finance this country's governmental programs, including the ever-increasing burden of foreign aid, should certainly stop, before recommending legislation of this kind, to consider the effect it might well have, in the final analysis, upon this Nation's economy and tax structure as well. Since the end of World War II, we have been pouring billions of dollars into foreign aid to bolster, strengthen, and guarantee the good health of the economies of our friends in Europe. Why, then, should we now do an "about face" and, in order to promote special-interest legislation for a small segment of the domestic mining industry, slap heavy taxes upon some of the essential commodities produced by these very same nations we have helped—and thereby seriously injure their economies and hasten the day when, of necessity, they might be asking again for our financial assistance. This type of inconsistency on our part—"pendulum policies" in the field of foreign affairs—has been costly to this Nation in the past, and it promises to cost even more in the future if we are not very, very careful about the course we follow.

Nor does it appear that elimination of foreign competition, as proponents of the proposed legislation call it, will make it unnecessary for the Government to subsidize the domestic producers of lead and zinc. At page 17 of the Secretary of the Interior's long-range minerals program (June 4, 1957), it is stated:

> "In the face of dwindling high-grade ore reserves and attendant rising mining costs, the Department of the Interior believes that it is prudent for the Government to encourage exploration by direct financial assistance to private industry."

and at pages 15 and 16 of this report:

> "The Department of the Interior, in cooperation with the Treasury Department, has reviewed carefully the income-tax laws to determine whether or not changes should be recommended. Existing provisions for percentage depletion and deduction for exploration and development costs recognize the high risks in the extractive industries and the fact their incomes are derived from wasting assets. No recommendations are made at this time except that a continuous review of the tax law as it affects mining should be maintained."

Thus, while it is proposed that imports be sharply curtailed with a direct threat to the ability of some foreign producers even to continue to exist, the proposed long-range program still calls upon the Government to foot the bill for a large segment of the domestic industry. Any thinking person certainly must ask: If the Government is going to have to subsidize the domestic industry anyway, why simultaneously damage the economies of our allies overseas—and thereby run the risk of additional costs in requests for foreign aid, loans, or economic assistance?

Anyone not familiar with this country's metals and minerals requirements in times of emergency might well assume from the proposed legislation that the United States possesses here vast quantities of high-grade lead and zinc—wholly sufficient to satisfy our every need under all possible conditions. Such an assumption necessarily leads to the conclusion that the United States, being self-sufficient in this area, should then, of course, do everything possible to eliminate foreign producers—even if such action means, in many cases, ruination of the foreign producers. But, in truth and in fact, in times of national emergency the exact opposite is true. The United States, under war conditions, must look to foreign lead and zinc to meet its requirements. And, strangely enough, this very fact is recognized by the Secretary of the Interior in his long-range report of June 4, at pages 19, 20, whereat he states:

> "The threat of injury faced by the lead and zinc industries stems largely from action taken as a result of the Korean conflict. The Federal Government at that time stimulated production at home and abroad in the free world of many essential minerals. Mineral raw materials were needed to build ships, tanks, guns, and planes for immediate use and in order to accelerate stockpiling. Price controls in the United States held down the expansion of domestic production of lead and zinc and prevented domestic producers from taking full advantage of worldwide demand. * * *"

In actual fact, this situation is not only true with regard to conditions of national emergency, but this country also looks to foreign producers of lead and zinc for a major share of its normal requirements for lead and zinc. Imports of lead in normal times represent 25 percent of consumption, while imports of zinc amount to some 50 percent.

Consequently, this committee should understand that the proposed legislation, aimed at supporting the domestic industry and destroying "foreign competition," might well lead to a situation wherein the foreign sources will be hurt so badly that same, in many areas, will not be available when they are next needed in a time of national emergency, nor will they be available to supply our very essential normal requirements of lead and zinc. Such a result would hardly be the solution our Government is seeking.

The committee should also consider the question of whether or not the "elimination of foreign competition" in lead and zinc will further hinder the United States economy by driving prices higher than ever before. These are basic commodities. Like all commodities, prices are governed by the law of supply and demand. Cut the supply drastically, as this legislation proposes, and prices automatically rise. But when the price of lead and zinc rises, the prices for scores upon scores of other basic items will also rise, with the final result that inflation will receive another boost and the cost of living in this country will again be on the rise. Is this a real solution for the United States? Is this a real solution for the domestic industry? The President and the Secretary of the Treasury agreed at the beginning of this Congress that "continued inflation could bring on a depression that would make your hair curl." Now the Interior Department wants to run up the price of lead and zinc—an action which positively promises a price rise and a salute to the inflationary spiral which is plaguing this Nation.

In conclusion, therefore, we urge the committee not to act with haste and on the basis of false premises in this matter. The very welfare of the United States and of the free world is involved. Special-privilege legislation in this area, hastily enacted on the foundation of a piecemeal report, study, and program by the Department of the Interior could have far-reaching, devastating effects both here and abroad. There are certainly other less costly solutions for the domestic industry and its problems.

No member of this committee, having a full sense of the responsibilities and factors involved, will act to cut the jugular vein of free trade among the western community of nations in order to afford unnecessary special-privilege relief to a small group of mining companies which can be help in other, far more effective, less expensive ways.

PROVIDENCE, R. I., *August 5, 1957.*

Hon. JOHN O. PASTORE,
United States Senate Office Building,
Washington, D. C.

DEAR SENATOR PASTORE: We are a relatively small independent redrawer of copper and brass tubing. We compete with other members of the brass-mill industry, and more recently with a growing influx of imports of brass tube and copper tube from foreign sources.

We object to the passing of the proposed import excise tax on zinc as presently outlined, and suggest that if such a proposal is finally acted on, consideration be given to the application of the same per pound excise tax on the zinc content of brass-mill products, such as brass tubing.

As an independent we are already at a disadvantage from foreign competition, where labor is much less costly than here, and to further impose an increased cost of the zinc content of our products on us without protecting us against foreign imports containing zinc would be, in our opinion, an unreasonable hardship.

We urge you to take these things into consideration regarding this legislation.

Respectfully yours,

UNITED WIRE & SUPPLY CORP.,
F. W. SULLIVAN, *President.*

July 23, 1957.

Hon. GEORGE MALONE,
Senate Office Building,
Washington, D. C.:

Four of five of the larger producers of zinc and lead in Utah lost money during the year 1956 with the price of lead 16 cents and zinc 16½ cents. In my opinion the proposal of the Interior Department would not even sustain prices as high as those had in 1956. Differentials equivalent to the amount by which the market prices of lead and zinc are below 17 and 14½ cents, respectively, are required. Although we are pleased the administration finally recognized our problem I would prefer no legislation to that proposed in the Interior Department's release as to the amount of tax. Trust the Senate Finance Committee is fully informed. Romnes knows my position.

Regards,

ED SNYDER.

July 13, 1957.

Hon. GEORGE W. MALONE,
United States Senate Office Building,
Washington, D. C.:

I respectfully request a consideration to an effort to present to proper Senate committee a change in certain copper tariff laws replacing the figure of 24 cents per pound base to 30 cents per pound and raising the tariff that would be effective at the peril point from 2 cents to 4 cents. Present market price and costs are such that our continued operation is placed in jeopardy. Your reaction to this request is appreciated.

A. J. O'CONNOR,
Vice President and General Manager Consolidated Copper Mines Corp.

ELY, NEV., *July 18, 1957.*

Senator GEORGE W. MALONE,
Senate Office Building, Washington, D. C.:

The following statement wired to Senator James E. Murray of the Mineral Subcommittee by me today: "Is it possible at this time to bring before your committee the plight of small independent copper producers who, as you know, are the victims of increasing cost and falling copper prices? Personally I feel that the only prompt relief to help us and ward off shutdown would be to increase the present peril point in existing tariff legislation from 24 cents per pound to 28 cents per pound, at which point the tariff of 2 cents would apply. Any consideration given this request would be appreciated." Your active support of any measure along the above line will be appreciated and will probably serve to prevent work stoppage by small independent copper producers such as this company. Your past cooperation appreciated.

A. J. O'CONNOR,
Vice President and General Manager, Consolidated Copper Mines.

KAY ELECTRIC COOPERATIVE, INC.,
Blackwell, Okla., August 1, 1957.

Hon. A. S. MONRONEY,
Senator from Oklahoma,
Senate Office Building, Washington, D. C.

DEAR MIKE: Our city is concerned about the proposed tax on foreign ores.

As you perhaps know, all the ore to the Blackwell zinc smelter comes from Mexico, and the citizens here are concerned that the proposed tax might have an adverse effect on the on the local smelter. The smelter is a very vital part of this community, employing approximately 1,000 persons. They are aware of the position that the mines and smelters of northeastern Oklahoma now find themselves and hoped that some compromise might be worked out.

One suggestion was that the same tax differential be adopted for zinc between ore and finished metal as now applies to lead. For example, the tax on lead ore and finished metal is as follows:

	Tax when finished metal prices are—		
Lead ... cents..	16–17	15–16	Under 15
Ore ... do....	½	1¼	2
Finished metal ... do ..	1	2	3
Percent differential ... percent..	50	62½	66⅔

The proposed tax on zinc ore and finished metal is as follows:

	Tax when finished metal prices are—		
Zinc ... cents..	13½–14½	12½–13½	Under 12½
Ore ... do....	4/10	1 1/10	1 8/10
Finished metal ... do....	5/10	1¼	2
Percent differential ... percent..	80	88	90

As you can see from the above, lead ores have a much lower tax in relationship to the finished metal than does zinc. The zinc people feel that lead is not experiencing the competition from substitute metals as is zinc and there is some concern that zinc might price itself out of some of its present and future markets. In addition, the recovery from lead ores in modern plants will run approximately 95 percent as compared to 90 percent for zinc.

We realize that you must work for the best interests of all the people, but we wanted to call these matters to your attention with the hope that some compromise could be worked out that would not be too detrimental to our community.

Yours truly,

Louis B. Strong, *Manager.*

(Whereupon, at 3:55 p. m., the committee recessed, subject to call.)

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