COPPER TARIFF HISTORY

In 1932, the Congress of the United States placed into the Revenue Act of 1932 a section providing for a 4-cents per pound tax on foreign copper imported into this country for domestic consumption. The Act would have automatically expired in June 1934, if it had not been extended for one year by Presidential Proclamation.

In 1935, the same tax was written into the Revenue Bill of 1935, which automatically expired on June 30, 1937. The Revenue Act of 1937 extended the tax for 2 years, beginning July 1, 1937, and in effect until June 30, 1939. Again, in June 1939, the 4-cent excise tax on copper imported into the United States was extended to June 30, 1941.

When it became apparent in the last quarter of 1940 that U.S. production was not adequate to meet the needs of industry, the Metals Reserve Company began making arrangements to buy Latin American copper. The first government contracts were announced on December 19, 1940, and from that time on, the foreign copper contracted for paid no excise tax, as the government had contracted for the full annual production of the Latin American countries. This condition lasted until late in 1946, when all price controls were removed by the OPA order, effective November 10, 1946. With OPA ceilings removed, RFC announced it would begin to pay as soon as practicable the 4-cent excise tax on foreign copper imported. This tax continued in effect until April 30, 1947, when President Truman signed a bill suspending the tax through March 31, 1949. On March 31, 1949, the President again signed a bill suspending the excise tax until June 30, 1950. Meanwhile, on October 30, 1947, the General Agreement on Tariffs and Trade (GATT) made a cut from 4 to 2 cents in the excise tax on copper effective when the tax suspension ended.

As a result of the reduced demand for copper in the second quarter of 1949, there was agitation in Congress for withdrawal of the tax suspension, but the year closed without such action having been taken.

Several attempts failed to enact legislation extending the suspension of the excise tax on copper beyond June 30, 1950. Therefore the 2-cent tax became effective on July 1, 1950. Demand for copper increased greatly outside of the United States in 1950, and production and prices rose. The Defense Production Act which became law early in September gave the President the power to regulate the economy to assure adequate supplies of materials for expanded defense and essential civilian requirements. Pursuant to the Act, the Defense Minerals Administration was established in the Department of the Interior to render Government assistance to industry in expanding supplies of critical minerals. During 1950 it entered into a number of negotiations with private companies for new copper-production projects. For the next few years the copper producers co-operated to the extent of increasing copper production over 25 percent.

The 2-cent copper excise tax was suspended from April 1, 1951 to February 15, 1953. This time the law provided that the Tariff Commission must notify the President within 15 days after the end of any calendar month in which the average price dropped below 24 cents a pound delivered Connecticut Valley, and within 20 days thereafter he had to revoke the suspension. The Korean War had accentuated the demand for copper, and the metal was one of the commodities for which ceiling prices were established by the General Ceiling Price Regulation, effective January 26, 1951. The ceiling on domestic copper was set at 24.5 cents, and at 27.5 cents on imported copper. In spite of this ceiling price of 27.5 cents, and also in spite of the suspension of the 2-cent excise tax, an agreement between the United States and Chilean Governments in May, 1951 provided for payment of an additional 3 cents a pound over the ceiling - 27.5 cents to 30.5 cents!

Rising costs threatened some loss of output from high-cost mines. In December, 1951 the D.M.P.A. (Defense Materials Procurement Agency) moved to prevent such losses by offering to negotiate over-the-ceiling contracts with high-cost mines then in actual production.

When controls were removed on February 25, 1953, the domestic price of copper jumped from the ceiling price of 24.5 cents to 30 cents! Even at that price (30 cents), it was merely midway between the widespread extremes of approximately 24.5 cents for most domestic copper and 36.5 cents for foreign metal before February 25.

The excise tax on copper was again suspended from February 15, 1953 to June 30, 1954, and the Act of Congress had the same provisions for re-imposition of the tax if the price fell to 24 cents.* In 1954, the suspension was extended to June 30, 1955, with the same peril point of 24 cents. On June 24, 1955 the President signed another bill to continue until June 30, 1958 the suspension of the 2-cent per pound import tax on foreign copper. The measure became Public Law 91, 84th Congress - with the peril point still 24 cents.

At the June, 1956 meetings in Geneva on General Agreements on Tariffs and Trade, the United States agreed to lower the duties 15 percent on copper and other metals and minerals in exchange for reductions of tariffs by other countries on United States exports. Excises were to drop 15 percent on copper metal, ores and concentrates - 5 percent for each of 3 years - provided the tariff were re-imposed. For example, if Congress should decide to cancel the suspension then in effect, a tax of 1.8 cents would be re-imposed for the fiscal year 1958; 1.7 cents after June 30, 1958. There was a provision to re-impose the 2-cents tax if the market price for copper dropped to 24 cents. (Here again it would have been more realistic to have set the peril point at 30 cents, before making the 15 percent cut in the tax)

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* It would have been more realistic, at this time, to have set the peril point at 30 cents.

The unprecedented demand for copper during World War II, for defense purposes since the War, and for replenishment of supply for peace-time re-construction and new construction, has furnished the domestic copper industry with a market for all the copper it could produce. This situation existed up to the last half of 1956, with only one period of "recession", that in 1949. This accounted for the industry's acceptance of the tariff suspensions. However, since June of 1956, the supply has exceeded the demand for copper, and the deterioration of the domestic market has been rapid. The success of the Government's efforts to increase the productive capacity of the domestic mines since 1950 has been remarkable. The mining industry has co-operated with this effort, and is continuing to co-operate by developing new ore-bodies to keep pace with a normal growth of copper consumption.

When the 24-cent peril point was first established in 1951, it was true that the domestic price was 24.5 cents, but this was a controlled price, and compared with negotiated import prices of 27.5 - 30.5 cents, and even up to 36.5 cents. In fact, when controls were removed in 1953, the domestic price shot up to 30 cents, indicating that 30 cents was the normal price at that time.

The cost of copper production has increased more than 33 percent since 1951, and even if 24 cents had been a fair peril point at that time, then 32 cents would be more realistic at this time (1961).

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