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# LEAD-ZINC STABILIZATION

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
MINERALS, MATERIALS, AND FUELS  
OF THE  
COMMITTEE ON  
INTERIOR AND INSULAR AFFAIRS  
UNITED STATES SENATE  
NINETIETH CONGRESS  
FIRST SESSION  
ON  
**S. 289**

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A BILL TO PROTECT THE DOMESTIC ECONOMY, TO PROMOTE THE GENERAL WELFARE, AND TO ASSIST IN THE NATIONAL DEFENSE BY PROVIDING FOR AN ADEQUATE SUPPLY OF LEAD AND ZINC FOR CONSUMPTION IN THE UNITED STATES FROM DOMESTIC AND FOREIGN SOURCES, AND FOR OTHER PURPOSES

APRIL 12, 1967

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WASHINGTON : 1967

LEAD-ZINC STABILIZATION

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HEARING

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## LEAD-ZINC STABILIZATION

WEDNESDAY, APRIL 12, 1967

U.S. SENATE,  
SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS  
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
*Washington, D.C.*

The subcommittee met, pursuant to call, at 10 a.m., in room 3110, New Senate Office Building, Senator Clinton P. Anderson, New Mexico, presiding.

Present: Senators Clinton P. Anderson, New Mexico; Frank E. Moss, Utah; Len B. Jordan, Idaho; Gordon Allott, Colorado; and Paul J. Fannin, Arizona.

Also present: Senators Frank Church, Idaho; and Clifford P. Hansen, Wyoming.

Staff members present: Jerry T. Verkler, staff director; Stewart French, chief counsel; and E. Lewis Reid, minority counsel.

Senator ANDERSON. The Committee will be in order, please.

This is an open, public hearing by the Subcommittee on Minerals, Materials, and Fuels of the Senate Interior and Insular Affairs Committee on S. 289, a bill to protect the domestic economy, promote the general welfare, and assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources.

It should be noted that I am serving as chairman of these hearings today at the request of the able junior Senator from Alaska, Senator Ernest Gruening, who is the duly constituted chairman of the Minerals, Materials, and Fuels Subcommittee. Senator Gruening has been immersed in other urgent public business, and I am the sponsor of the proposed legislation, so he asked me to take over.

S. 289 is the latest of a long series of efforts on the part of the legislative branch of the Federal Government, which theoretically, at least, has the constitutional responsibility for establishing policy, to bring some degree of stability and some degree of order to our domestic lead-zinc industry, assuring us an adequate supply of these basic industrial metals, preserving our domestic producing capacity, and at the same time working no undue hardship on our foreign allies who export these metals to us. S. 289, I am happy to be able to state, has a very distinguished list of cosponsors from both political parties who represent most of the principal lead-zinc producing States of the Union.

Without objection, I will direct that the names of all of the sponsors of this farseeing bill be printed in the record at this point, to be followed by the text of the proposed legislation and the reports of the administrative agencies concerned with our lead-zinc industry and our imports from foreign nations.

The cosponsors who joined me in sponsoring this measure are Senators Allott, Bartlett, Bennett, Bible, Cannon, Carlson, Church, Clark, Dirksen, Dominick, Fannin, Gruening, Harris, Hayden, Jackson, Jordan of Idaho, Long of Missouri, Magnuson, Metcalf, Monroney, Montoya, Moss, Nelson, Pearson, Proxmire, Scott, and Symington. (The data referred to follow:)

[S. 289, 90th Cong., first sess.]

A BILL To protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Lead and Zinc Act of 1967".*

#### TITLE I—LEAD

SEC. 101. As used in this title—

(a) The term "lead" means lead metal, as defined in subsection (b), plus lead ore, as defined in subsection (c).

(b) The term "lead metal" means the dutiable lead content of all unwrought lead and lead waste and scrap which, if imported into the United States, are subject to duty under part 2G of schedule 6, Tariff Schedules of the United States.

(c) The term "lead ore" means the dutiable lead content of lead-bearing ores and other materials which, if imported into the United States, are subject to duty under part 1 of schedule 6, Tariff Schedules of the United States.

(d) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Classification Act of 1962, as amended.

(e) The term "Tariff Schedules of the United States" means the Tariff Schedules of the United States established pursuant to section 201, Tariff Classification Act of 1962.

(f) The term "ton" means two thousand pounds.

(g) The term "quarter" means a calendar quarter.

(h) The term "quarterly quota for lead" means 80 per centum of the quarterly average of the total general imports as reported by the Bureau of the Census of lead imported as lead metal and lead ore during a quota base period consisting of the ten consecutive quarters prior to the quarter preceding the effective date of such quota as provided in section 103.

SEC. 102. No lead shall be imported into the United States in any quarter after the amount of lead imported into the United States during such quarter equals the import quota for lead for such quarter established under section 103.

SEC. 103. For purposes of section 102—

(a) If for any period of three consecutive calendar months, the stocks of refined soft lead and lead content of antimonial lead owned by the United States primary producers, at their own plants and elsewhere, at the close of each month exceeds 250 per centum of the average monthly domestic shipments of refined lead by such producers during the same three-month period, a quarterly quota for lead metal and lead ore shall be applied effective the first day of the quarter following this determination, as provided in section 101(h).

(b) The import quota for lead ore shall in no event be less than thirty thousand tons.

(c) Except as provided in section 103(b), 50 per centum of the total quarterly quota for lead established under the provisions of this section shall be allocated to lead ore.

(d) The quarterly quotas for lead ore and for lead metal established under the provisions of this section shall be allocated by the Secretary of the Interior to principal supplying countries in proportion to imports from such countries during the quota base period described in section 101(h). Specific quotas shall be established for lead ore or lead metal as the case may be, for each country supplying more than 10 per centum of the total such lead ore or lead metal imported during such period and the unallocated balance of the lead ore quota and the lead metal quota shall be assigned to all other countries.

(e) If, while the import quota established under section 103(a) is in effect, stocks of refined soft lead and lead content of antimonial lead owned by the United States primary producers, at their own plants and elsewhere, at the close of any three consecutive months are less than 100 per centum of average monthly

domestic shipments of refined lead by such producers during those same three months, the quarterly quotas established under provisions of this section shall be terminated, effective on the date of such determination by the Secretary of the Interior: *Provided, however*, That, in making a determination of the relationship of primary producers' metal stocks to domestic shipments, the Secretary of the Interior shall consider the effects of any temporary and significant loss of lead production.

## TITLE II—ZINC

SEC. 201. As used in this title—

(a) the term "zinc" means zinc metal, as defined in subsection (b), plus zinc ore, as defined in subsection (c).

(b) The term "zinc metal" means the dutiable zinc content of all unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap which, if imported into the United States, are subject to duty under part 2H of schedule 6, Tariff Schedules of the United States.

(c) The term "zinc ore" means the dutiable zinc content of all zinc-bearing ores and other materials which, if imported into the United States, are subject to duty, under part 1 of schedule 6, Tariff Schedules of the United States.

(d) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Classification Act of 1962, as amended.

(e) The term "Tariff Schedules of the United States" means the Tariff Schedules of the United States established pursuant to section 201, Tariff Classification Act of 1962.

(f) The term "ton" means two thousand pounds.

(g) The term "quarter" means a calendar quarter.

(h) The term "quarterly quota for zinc" means 80 per centum of the quarterly average of the total general imports are reported by the Bureau of the Census of zinc imported as zinc metal and zinc ore during a quota base period consisting of the ten consecutive quarters prior to the quarter preceding the effective date of such quota as provided in section 203.

SEC. 202. No zinc shall be imported into the United States in any quarter after the amount of zinc imported into the United States during such quarter equals the import quota for zinc for such quarter established under section 203.

SEC. 203. For purposes of section 202—

(a) If, for any period of three consecutive calendar months, the stocks of slab zinc owned by the United States primary producers, at their own plants and elsewhere, at the close of each month exceed 175 per centum of the average monthly domestic shipments of slab zinc by such producers during the same three-month period, a quarterly quota for zinc metal and zinc ore shall be applied, effective the first day of the quarter following this determination, as provided in section 201(h).

(b) The import quota for zinc shall in no event be less than one hundred and thirty thousand tons.

(c) Eighty per centum of the total quarterly zinc import quota established under the provisions of this section shall be allocated to zinc ore.

(d) The quarterly quotas for zinc ore and for zinc metal established under the provisions of this section shall be allocated by the Secretary of the Interior to principal supplying countries in proportion to imports from such countries during the quota base period described in section 201(h). Specific quotas shall be established for zinc ore or zinc metal, as the case may be, for each country supplying more than 10 per centum of the total such zinc ore or zinc metal imported during such period and the unallocated balance of the zinc ore quota and the zinc metal quota shall be assigned to all other countries.

(e) If while the import quota established under section 203(a) is in effect, stocks of slab zinc owned by the United States primary producers, at their own plants and elsewhere, at the close of any three consecutive months are less than 75 per centum of average monthly domestic shipments of slab zinc by such producers during those same three months, the quarterly quotas established under the provisions of this section shall be terminated, effective on the date of such determination by the Secretary of the Interior: *Provided, however*, That, in making a determination of the relationship of primary producers slab zinc stocks to domestic shipments, the Secretary of the Interior shall consider the effects of any temporary and significant loss of zinc production.

## TITLE III—MANUFACTURED LEAD AND MANUFACTURED ZINC

SEC. 301. (a) The Secretary of the Interior shall establish quarterly import quotas for any "manufactured lead article" or "manufactured zinc article" not to exceed 100 per centum of average imports for such articles during the quota base period as provided in sections 101 and 201, where (1) more than 50 per centum of the gross weight of the article is attributable to its lead or zinc content, respectively, and (2) the manufactured lead article or manufactured zinc article is imported in any calendar quarter subsequent to the date that a lead or zinc quota, respectively, becomes effective under provisions of section 103 or 203, in quantities equal to 100 per centum or more of the average quarterly imports during the quota base period as provided in section 101 or 201.

(b) No manufactured lead article or manufactured zinc article shall be imported into the United States in any quarter after the amount of such manufactured lead article or manufactured zinc article imported into the United States during such quarter equals the quarterly import quotas established under this section.

(c) Import quotas for a manufactured lead article or manufactured zinc article established under provisions of this section shall terminate effective the date of termination of quotas for lead metal and lead ore or zinc metal and zinc ore as provided in section 103(e), 203(e), or 405 of this Act.

(d) Any quota established in accordance with this section shall become effective the first day of the quarter following the quarter in which the Secretary determines that the conditions set forth in this section are met.

## TITLE IV—GENERAL PROVISIONS

SEC. 401. The import quotas provided for in titles I, II, and III of this Act shall be determined and published by the Secretary of the Interior. The determination of quarterly import quotas provided for in sections 103 and 203 of this Act shall be made as promptly as possible after the close of the period of three consecutive months as provided in sections 103(a) and 203(a) that precede the quarter for which such quotas are determined.

SEC. 402. Whenever merchandise containing lead or zinc is exported and duties are refunded as drawback with respect to such lead and zinc under the provisions of section 1313 of title 19, United States Code, the exporter of the merchandise containing the material on which duty had been paid shall be permitted to enter or withdraw from warehouse for consumption within a period of one year from the date of such exportation, a quantity of lead or zinc equivalent to the quantity as to which duties are refunded and such quantity shall not be subject to the quotas established under titles I and II of this Act.

SEC. 403. The quotas provided in this Act, as determined by the Secretary of the Interior, shall be administered by the Secretary of the Treasury.

SEC. 404. The Secretary of the Interior and the Secretary of the Treasury are authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act.

SEC. 405. Quotas for lead metal and lead ore, or zinc metal and zinc ore, that may be established as provided by the provisions of sections 103 and 203 of this Act shall be in effect for a term of three years unless sooner terminated by the provisions of sections 193(e) and 203(e). Such quotas can only be established during the five-year period which begins on the date of enactment of this Act.

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,

Washington, D.C., April 3, 1967.

HON. HENRY M. JACKSON,  
Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letters of February 17 and March 6, 1967, inviting the Bureau of the Budget to comment on S. 289, a bill "To protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes."

Contingent on the relationship between stocks owned by primary producers and domestic shipments, S. 289 provides for the imposition and termination of

import quotas on lead and zinc for a limited period of time. Other provisions of the bill relate to the level of the import quotas, the allocation of the import quotas between ores and metal, and the distribution of the import quotas among supplying countries. In addition, imports of manufactures of lead and zinc would be subject to quotas.

The Departments of the Interior, Commerce, State, and Treasury in separate reports to your Committee, set forth their reasons for opposing the enactment of S. 289. The Bureau of the Budget concurs with these agencies and recommends against enactment of S. 289.

Sincerely yours,

WILFRED H. ROMMEL,  
*Assistant Director for Legislative Reference.*

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U.S. DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., April 3, 1967.

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,*  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR JACKSON: Your Committee has requested a report on S. 289, a bill "To protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes."

We recommend against enactment of the bill.

S. 289 proposes a system for the import control of lead and zinc ore and metal based on the relationship between primary producers stocks and shipments of refined metal. The bill further restricts the importation of manufactured lead and manufactured zinc when import quotas on metal and ore are applicable.

Pursuant to an escape-clause action under the Trade Agreements Extension Act of 1951, import quotas on unmanufactured lead and zinc were imposed effective October 1, 1958. These quotas restricted imports of lead and zinc ores and metal to 80 percent of the average commercial imports during 1953-57. They were terminated by Presidential Proclamation of October 22, 1965, upon advice by the Tariff Commission that such termination would not likely have a detrimental effect on domestic producers unless world demand for these metals should subside substantially in relation to world supplies.

In its advice to the President, the Tariff Commission noted that conditions of trade in lead and zinc had materially changed since import quotas were imposed. The excess of production over consumption that was characteristic of the early quota years was reversed in 1964, and prices increased sharply. Demand for both metals had drawn down stocks to minimum working levels by the end of the first quarter of 1964, and in July of that year the Congress authorized releases from the national stockpile.

Demand for lead and zinc has remained strong, although there was a decline in zinc shipments in December, January, and February which resulted in a build-up of producers stocks of slab zinc. At the same time there is now taking place a very substantial growth in productive capacity, both of mines and of smelters, in the United States and abroad. As these new mines and smelters come into production free world supplies threaten again to exceed demand.

The bill would anticipate this excess and establish controls on a standby basis to be promptly applied when producers stocks build up to a given point in relation to shipments.

The Trade Expansion Act of 1962 provides that upon the request of the President, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion or upon the filing of a petition by a representative of the industry, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article is being imported in the United States in such increased quantities as to cause or threaten to cause serious injury to the domestic industry.

In the past, representatives of the domestic lead and zinc producing industries have complained that the time required for the Commission to investigate and advise the President permits injury from increased imports to widen and deepen. Recognizing the need for prompt action the President, in ending the

previous quotas, urged the members of the Tariff Commission to streamline procedures and to redouble efforts to expedite proceedings in any case where it is indicated that delay might bar effective action.

S. 289 would ignore the existing procedure, would depart from the principle of a finding of injury or threat of injury, and would impose restrictions whenever producers' metal stocks reach a given level. There need be no determination that such inventory build-up is attributable to increased imports. There need be no determination that any segment of the industry is experiencing injury or threat of injury.

Rising stocks do not necessarily reflect increases in imports. Increased productive capacity in the United States could lead to excess supplies without any increase in imports. In such circumstances imports become a residual supply and the minimum quotas tend to become the maximum. Thus, the control of imports would be determined by the industry rather than by market conditions.

This Department fully understands the desire of domestic lead and zinc producers to have some assurance that uncontrolled imports will not again threaten serious injury to domestic mines and smelters as has happened in the past.

We believe, however, that existing administrative remedies are adequate and that special legislation is not called for.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

J. CORDELL MOORE,  
*Assistant Secretary of the Interior.*

DEPARTMENT OF STATE,  
*Washington, April 5, 1967.*

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Your letter of February 17, 1967, requested the Department's views on S. 289, a bill "to protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes." This bill is an amended and simplified version of similar bills introduced in the 89th Congress.

As background to S. 289, it may be recalled that in 1958, after an investigation by the Tariff Commission and report to the President under Section 7 of the Trade Agreements Extension Act of 1951, a Presidential Proclamation modified the concessions on lead and zinc which had been granted under the General Agreement on Tariffs and Trade. Under the terms of the Proclamation dated September 22, 1958, the quantity of imports was limited to 80% of the average annual imports during the five-year period 1953-1957. These import quotas were continuously operative until October 22, 1965.

During the intervening period, there was a marked improvement in the condition of the lead and zinc industry. The years 1963, 1964, and 1965 were years of substantial recovery, and prices rose by approximately 65% in the case of lead and nearly 30% in the case of zinc. The higher prices stimulated production which in the United States regained the levels of the early 1950's. Significantly, we understand a large proportion of the new mine capacity initiated in the United States recently is low-cost production capable of profitably competing with imported lead and zinc.

In the light of the new situation, the Tariff Commission, upon the request of the President on March 1, 1964, instituted an investigation pursuant to Section 351(d)(2) of the Trade Expansion Act of 1962 with a view to advising the President of its judgment as to the probable economic effect on the domestic industry of the reduction or termination of the increased import restrictions which had been imposed under the Escape Clause procedure. In its report dated June 8, 1965, the Tariff Commission concluded that the termination of the import quotas would not be likely to have a detrimental effect on domestic lead and zinc producers unless the world demand for these metals should subside substantially in relation to world supply.

Subsequently, on the basis of the Tariff Commission's report, the President proclaimed the termination of the import quotas on lead and zinc on October 22, 1965. In response to expressed concern over the impact on the domestic industry of future imports, the President recognized the need for a strong and vigorous

domestic lead and zinc mining industry and the possibility of future difficulties. Accordingly, he urged the Tariff Commission to strengthen its procedures and to redouble its efforts to expedite proceedings in any case where it is indicated that delay might bar future relief.

During the approximately fifteen months since the termination of import quotas, there have been continuing shortages of lead and zinc, and commercial supplies have been supplemented by sales from government stocks. Prices have been firm. Only recently have supplies and demand been in approximate balance. Under these circumstances, there is obviously no need for import quotas at this time. The proposed legislation recognizes this fact but seeks to establish a quota plan which would only become effective when producers' stocks in the United States exceeded certain levels. However, we have discerned no relationship between stock levels and domestic shipments, on one hand, and imports on the other. Stock levels change for many reasons unrelated to imports. Moreover, we believe it is undesirable to commit ourselves to a specific course of action with respect to lead and zinc at this time.

Despite the fact that import quotas might not be established immediately under the provisions of this bill, the enactment of this particular legislation would have far-reaching and severe repercussions on our relations with the lead and zinc exporting countries. It would be inconsistent with the objectives of the Trade Expansion Act and with our announced intention to impose only temporary import quotas when necessary to deal with proven hardship situations. Our efforts to seek broad reductions in trade barriers in an effort to stimulate world trade would also be cast in doubt. The General Agreement on Tariffs and Trade (GATT) provides that the parties thereto shall not impose quantitative restrictions, such as quotas, on the imports of products of other contracting parties, except under specified circumstances which do not appear to exist with respect to lead and zinc. Consequently, the imposition of quotas under the bill could result in a finding that our action was unjustified under the GATT and an authorization for the injured contracting parties to take retaliatory action against United States exports.

In addition to these objections to the proposed legislation, we note that some of its specific provisions do not seem consistent with its stated purposes—for example:

a. Individual country quotas are based on the record of imports from individual countries over the past ten consecutive quarters. This represents a period of 2½ years, and in the event quotas became effective during this period, they would in part be based on the time when lead and zinc imports were subject to the previous Escape Clause action. Therefore, if enacted, the proposed legislation could impose a continuing hardship on a number of countries with unrealistic low quotas and for others changes in the pattern of distribution, which have occurred since the termination of quotas in 1965, would not be taken into account fully.

b. In the case of lead, 50% of the quotas established under the proposed legislation would be allocated to ore and in the case of zinc, 80%. Such a mandatory distribution would, in our opinion, prove unworkable and contrary to United States supply interests, apart from its obvious impact on a number of countries who have established new smelting capacity. In addition, the mandatory distribution is probably inconsistent with the determination of quotas as provided for in Section 101h and 103d for lead and in Section 201h and 203d for zinc, since under these provisions individual quotas are based on the quarterly average of general imports of combined ore and metal.

c. The quotas regulating imports become effective when stocks of primary procedures reach levels considered excessive relative to smelter shipments, and the quotas are cancelled when shortages occur as determined by the relative level of producers' stocks. Only four firms control all the primary lead smelting and refining facilities in the United States, and nine firms control all the primary zinc smelting facilities. The policies of these companies with respect to their inventory holdings can, therefore, under this legislation, effectively determine the timing as to when quotas become effective and when they are terminated. Thus, vital decisions affecting supplies, prices, and the consumption of these metals would be effectively placed in the hands of a relatively few companies.

d. Extending the quotas to manufactured lead and zinc is probably unnecessary and is unduly restrictive. Since 1958, the only marked increase in the import of manufactured lead and zinc occurred in the case of litharge imports from Mexico. In 1963, Mexico placed litharge under export license and has voluntarily restricted its exports to the United States. To subject a very large number of manufactured

items, such as litharge, to import quotas, when there is no apparent need to do so, is not only administratively burdensome but inconsistent with our trade policy.

In summary, therefore, the Department opposes the enactment of this legislation because it is untimely, harmful to our foreign policy objectives, inconsistent with our foreign trade policy and would, in our opinion, disrupt the domestic as well as foreign markets for lead and zinc. In our judgment, it is probably contrary to the long-range interests of our own domestic lead and zinc industry and certainly contrary to the interests of United States consumers of lead and zinc.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, JR.,  
*Assistant Secretary for Congressional Relations.*

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,  
*Washington, D.C., April 5, 1967.*

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs, U.S. Senate,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to S. 289, a bill to protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes.

S. 289 would provide for quarterly import quotas on unmanufactured lead and zinc equal to 80 percent of the quantities imported in a ten-quarter base period preceding the imposition of the quotas. The quotas on unmanufactured lead would be imposed when the metal stocks of domestic producers exceed 250 percent of their metal shipments for three consecutive months, and in the case of unmanufactured zinc when the metal stocks of domestic producers exceed 175 percent of their metal shipments.

At the time import restrictions are imposed on unmanufactured lead and zinc the bill directs the Secretary of the Interior to impose import quotas on manufactured lead and zinc items if an item is imported in excess of 100 percent of the rate in the quota base period.

The bill provides for allotments of the quota by country of origin and between kinds of materials, such as ores and refined metals, and places a limit of five years within which import restrictions may be imposed.

This Department, after giving careful consideration to the provisions of this bill, recommends that it not be enacted for several reasons, as follows:

1. It is not at all clear that economic conditions justify the controls on imports proposed in the bill. The high level of economic activity both here and abroad in recent years resulted in increased consumption of lead and zinc and benefited domestic producers of these two metals.

2. It has been only a year and a half since the President terminated existing import quotas on lead and zinc. Although imports have increased during this period, it is too early to determine whether the conditions which led to the initial imposition of import quotas are in the offing in the immediate future.

3. In any event, procedures exist in the Trade Expansion Act of 1962 to deal with injury or threatened injury to domestic industries resulting from increased imports. In this regard we note that in 1965, the President stated "Domestic lead and zinc producers who do not object to greater imports at this time have expressed concern that future relief, if necessary, should not be inordinately delayed. Accordingly, I have urged the members of the Tariff Commission to streamline its procedures and to redouble its efforts to expedite proceedings in any case where it is indicated that delay might bar effective relief."

4. We believe that the existing procedures, which take into consideration all factors which might affect the public interest, are adequate to safeguard the lead and zinc industry if confronted with injury or threatened injury as a

result of trade agreement concessions. In contrast, under the proposed bill the only factor controlling imposition of import quotas for lead and zinc is the magnitude of the stocks of domestic producers.

5. One of the objectives of the proposed measure is "to assist in the national defense." We believe the bill unnecessary for this purpose because after a thorough review the stockpile objectives for lead and zinc were eliminated in June 1963. The Government has determined that adequate supplies for defense requirements are available from domestic production and imports from contiguous or other accessible areas. If future conditions result in the establishment of a stockpile objective, its existence, of course, would make up the difference between anticipated supply and anticipated requirements.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report to the Congress from the standpoint of the Administration's program.

Sincerely,

ROBERT E. GILES,  
*General Counsel.*

THE GENERAL COUNSEL OF THE TREASURY,  
*Washington, D.C., April 3, 1967.*

HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 289, "To protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes."

The proposed legislation would establish quarterly, absolute import quotas on lead metal, lead ores, zinc metal and zinc ores and would authorize the Secretary of the Interior to establish quarterly import quotas for any manufactured lead article or manufactured zinc article. The quotas on lead and zinc would be related to the size of stock held by domestic primary producers and the quotas on manufactures of lead and zinc would be related to a fixed quota base period for imports of articles manufactured from these metals. Administration of the quotas would be vested in the Secretary of the Treasury.

Domestic producers of lead and zinc may avail themselves of the remedies provided in the Trade Expansion Act relating to injury or the threat of injury from imports on which tariff concessions have been made. Restrictive legislation of the type envisaged in S. 289 would most likely lead to retaliation by other countries to the detriment of our exports and balance-of-payments position. Moreover, a move in the direction of new trade restrictions at this time would deal a heavy psychological blow at the Kennedy Round, now in its final stage of negotiation. Furthermore, the Department anticipates great difficulty in administering the quotas established under the bill.

For these reasons, the Treasury Department is opposed to the enactment of S. 289.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

FRED B. SMITH,  
*General Counsel.*

Senator ANDERSON. A most impressive list of witnesses is scheduled to appear before the subcommittee today. In view of the number of witnesses, I will direct that portions of my statement be incorporated into the record as if read. I venture to hope that my colleagues in the Senate will follow my example in this respect, summarizing the main points of their presentations and inserting the remainder. Also, I urgently request the witnesses from the lead-zinc industry, and spokes-

men for interested groups and organizations will do likewise. I assure each and every one that his statement, in toto, will be given full and careful consideration.

The Senate Committee on Interior and Insular Affairs has for years tried to obtain from the executive department some overall policy recommendations that will not only maintain current mining and smelting operations, but revive mineral production and encourage the industry to invest in essential exploration and development of new mineral reserves. There are several items such as tungsten, manganese, mercury, and I must include gold, that are present in our country in substantial quantities but only in times of trouble are we able to bring some of these into production.

A survey of the mineral industry, made several years ago, indicated that one miner supports 10 to 12 people through the service jobs created to support his production and the families of the workers involved. Taking this a step further, "It has been said that metal mine products multiply in value 15 to 20 times before they reach the ultimate consumer."

Now it seems to me, it is just plain good business for the United States generally and the communities and States in particular when we can generate jobs through reactivating or continuation of a sound domestic industry such as mining.

I will agree that representatives from the departments downtown do come up and point out some items that assist the industry, but these are generally fringe issues that do not solve the important and long-term problem of equating foreign costs of production with those of our domestic mines. They do not present plans that will help equalize supply and demand in good times and bad as a means of having adequate metal stocks when they are really needed, and, at the same time, stabilize the industry when consumption drops and things are not quite so prosperous.

In the past we have noted that the position of the executive department is to throw this particular problem to continued studies by the Tariff Commission. That group does a good job under the provisions provided by our laws, but under present definitions, it is a dead-end street.

The mining industry finds it must come to Congress for help, and we are very interested in being of assistance.

Today we are talking about the lead-zinc mining and smelting industry. Members of this committee have sponsored a series of legislative proposals that were all logical and reasonable at the time they were introduced. We held a hearing in 1963 on such a proposal and approved it in spite of the negative reaction downtown. This would have provided the long-range mineral policy needed to stabilize our domestic lead-zinc production, and I think would have helped ease the tight supply situation we have been through in 1965 and early 1966.

Fortunately, the business has changed for the better since that hearing, and the legislation has been changed or liberalized accordingly.

There are two important points I would like to emphasize as we proceed here today:

1. I repeat that the lead-zinc business is better, but we know from recent experience that these good and bad times run in cycles. There

are firm reports on expansion of this industry around the world, which indicate to me the good possibility of near future adverse cycles, and this time we want to be ready. My friends in the industry tell me we do need some imports, but we do not need, cannot use, and do not want all the surplus.

2. S. 289 has a time limit under which quota action can be taken and a further limitation on the length of the quotas if they are ever found to be needed. This is a gentle warning to all concerned, do not take advantage of us and everybody having a share in our domestic markets will be better off. It also tells the executive department that we still need the overall plan, but this industry will have a few years to gain a deserved return on current investments, while we wait for this long-range minerals policy. Finally, it gives the Congress a chance to reevaluate the facts and figures a few years in the future and decide whether additional legislation is required.

S. 289, as has been indicated, is the latest of a long series of legislative proposals to bring some degree of stability and order to the lead-zinc industry. However, it is not necessarily the last such proposal, in its present form.

The sponsors of this bill have no uncompromising pride of authorship. We expect there will be recommendations for amendment, and we will give all such suggestions full and careful consideration. If there is a better way to do the job that must be done, we'd like to hear about it. What we want is accomplishment, not credit.

Now I will ask if any member of the committee wishes to make a brief statement.

#### STATEMENT OF HON. FRANK E. MOSS, A U.S. SENATOR FROM THE STATE OF UTAH

Senator Moss. Thank you, Mr. Chairman. I have a statement that I would like to make supporting S. 289, which was your bill to establish the import quotas. This bill is somewhat similar to bills that you have introduced before and which I have been most happy to co-sponsor and which this committee has favorably reported heretofore.

Our problem seems to arise elsewhere in the bills. They get through this committee in good style, but we can't seem to have it move through other committees that have a measure of jurisdiction and we have not been able to get enacted into law the principal of this bill. However, I believe that we are taking the proper step in again considering this matter, and I hope that we can again get a favorable report and move the bill forward, hoping that somewhere along the line we can get more cooperation than we have had in years past.

I speak as a Senator from a State with a record of production of a broad range of minerals. My remarks today are concerned with the lead-zinc industry and in support of S. 289, introduced by Senator Clinton P. Anderson and cosponsored by many of us from mining States.

Last year Utah ranked third in lead mine production and fifth in zinc mine production. For years the names of several of our mines have consistently been listed with those of the 25 leading lead-zinc

producers throughout the United States. This production is vital to the economy of our State and for years has been the support of communities such as Lark, in the Bingham district; Park City, a district of its own; Eureka, another famous Utah mining area; and numerous other towns with smaller mining operations.

Lead-zinc properties and profits are a substantial part of the tax base of our State and its counties. We have felt the pinch of the lean years and are happy to report that the improvements in prices during the past 3 years has resulted in new mining investments, development of new ore bodies, increased production, and a greater dollar return to our State and all associated with the industry.

In 1958 the market value of recoverable lead and zinc mined in Utah totaled \$18.6 million. Last year, we produced \$28.4 million. The figures speak for themselves. Our mines produce a complex type of ore. In addition to the lead and zinc, there is a substantial associated production of gold, silver, and copper. This production and these values add up to a continuing need for a minerals policy which will stabilize the economics of the lead-zinc industry and encourage the continuing investment in exploration and development of new ore bodies.

I guess the feeling that those who are involved in establishing U.S. trade policy, particularly as it affects our mining industry, get lost in an overall game of U.S. tons versus foreign tons, need to be brought back to an assessment of what these industries do for our own people and our own community. I feel it is necessary to emphasize this point, because I come from an area where people have invested their lives and substance in ventures that depend on a domestic mining industry retaining a fair share of our own market.

Utah can report three recent important additions to expand lead and zinc production.

Early this year, the Kennecott Copper Corp. announced plans for construction of a 500-ton-per-day concentrator at its newly developed mining operation near Eureka, Utah, in the Tintic mining district. This property is contributing substantially now production of lead-zinc and silver to the economy of our State and has revitalized a district that has been virtually closed for 10 years.

Hecla Mining Co. has invested several million dollars in exploration and erection of a concentrator at the Mayflower mine in the Park City district.

United Park City Mines Co. has developed new ore reserves in the Park City district and invested in a new, modern, up-to-date shaft installation for more efficient mine operation.

These and other operations in Utah are deserving of some assurance that their efforts and investments will earn a fair return. It is right that they should and, I repeat, it is good business for Utah and the United States.

I get the feeling that those who are involved in establishing U.S. tons versus foreign tons and need to be brought back to an assessment of what these industries do for our own people and our own communities. I feel it is necessary to emphasize this point, as I come from an area where people have invested their lives and their substance in ventures that depend on a domestic industry retaining a fair share of our own markets.

Mr. Chairman, the record in Utah is an indicator of similar experience in 20 other States as is shown by the support of this legislation in both the Senate and the House of Representatives.

I have followed with great interest and personal support the various legislative proposals to assist our lead and zinc industry and agree that S. 289 is a practical program based on the current economic position of the industry. It will provide the incentive for the immediate future to keep our people in business. I urge favorable action by this committee and will support approval by the Congress.

Senator ANDERSON. Senator Jordan.

#### STATEMENT OF HON. LEN B. JORDAN, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator JORDAN. Mr. Chairman, I want to speak briefly in support of this legislation. I am cosponsor with you, as I have been through the years, in this important legislation.

My own State of Idaho has been very prominent in the production of lead and zinc. We have to realize that these resources cannot be mined and turned off and on like water in the tap. We have to have a long-range program that will keep this industry healthy. This bill, I believe, will accomplish that objective.

I look forward to perhaps this year getting further with it than we have been able to do in the past. As you remarked to me as we were sitting here, Mr. Chairman, it seems as though when the industry is in distress the Federal Government says, "There is nothing we can do about it." When the industry is affluent and getting along very well, they say "You don't need it."

Here is a time, we believe, when we can make a good case for this legislation.

I thank you for the opportunity to present my views on this bill. It is intended as a measure to stabilize the domestic lead and zinc industry, to provide a mechanism on the books to prevent the occurrence of crisis conditions in the market for U.S. producers, and to give those who are concerned with developing this part of our mining economy further incentives. The lead and zinc industry recently has enjoyed relatively good times, but this was not always true. The industry has gone through periods of severe depression. During one of these periods about 10 years ago, a quota on imports of lead and zinc was established. But this quota has been removed and there are indications that increasing production in the world may cause the same type of imbalance of supply and demand that in the past proved so damaging to the lead and zinc industry, leading then to the belated imposition of a quota system.

Over the past 17 years the domestic lead and zinc industry has proposed many plans which could lead to a mineral policy for this country, but there has not been favorable action by the executive department. Until such a policy is determined, some legislative protection is needed to regulate imports when they threaten the health of the domestic industry.

Legislation was introduced early in 1965 to liberalize the inflexible quota system then in effect. This proposal did not secure passage. Later, that same year, a proclamation was put into effect which canceled the quota system. Today the industry remains unprotected against

the possibility of excessive, price-depressing imports. S. 289 would remove this danger. It is an exercise in foresight. It is an improvement over the quota program which has been abandoned.

This bill would establish a 5-year term during which the program would be continuously evaluated. Hopefully, this process would contribute to the development of the coherent minerals policy many of us have sought. If during the life of the proposed legislation the lead and/or zinc stocks of U.S. producers reach levels considered excessive to normal requirements as compared to smelter shipments, quotas would become effective. When such conditions should cease to pertain, again determined by the relative level of producers' metal stocks, the import quotas would be canceled.

This is a plan which is fair to producers, to consumers, and to importers alike. It would be in effect only when necessary. I urge the members of the subcommittee to study this measure carefully with the hope that they will agree to report it favorably without undue delay.

I would like to have a copy of a letter from A. J. Tecke, secretary of the Idaho Mining Association, and a copy of Senate Joint Memorial No. 10 of the Idaho Legislature, both with concern for the need of a minerals policy and for legislation relating to lead and zinc.

(The letter follows:)

IDAHO MINING ASSOCIATION,  
Boise, Idaho, March 22, 1967.

MR. CLARK L. WILSON,  
*Chairman, Lead-Zinc Producers Committee, Room 714, Association Building, Washington, D.C.*

DEAR CLARK: Herewith enclosed is a copy of the Senate Joint Memorial approved today by the Idaho Legislature, urging the national Congress to establish a national minerals policy embodying the principle of flexible import quotas.

This Memorial was introduced in the Idaho Senate on March 14 and was approved by that body on the following day by voice vote, without dissent. This morning it was passed by the Idaho House without a dissenting vote.

I sometimes wonder whether memorials such as this serve any useful purpose in the national Congress, but at least we have the Idaho Legislature on record in behalf of our industry and that can't do any harm.

Best personal regards.

Sincerely,

A. J. TESKE, *Secretary.*

[Enclosure]

SENATE JOINT MEMORIAL No. 10

A JOINT MEMORIAL

To the Honorable Senate and House of Representatives of the United States in Congress Assembled:

We, your Memorialists, the members of the Senate and House of Representatives of the Legislature of the State of Idaho, assembled in the Thirty-ninth Session thereof, do respectfully represent that:

Whereas, the development and utilization of Idaho's abundant mineral resources has always been and must continue to be one of the major components of the state's economic structure, providing not only a source of employment and income, but also a sound base for tax revenues and a substantial market outlet of agricultural and manufactured products in mining areas, and

Whereas, this basic and essential mining industry has for many years been struggling under adverse economic conditions so severe that many major metal mining enterprises in the state, involving the production of antimony, tungsten,

cobalt and other strategic metals, as well as most of our small lead zinc producers, have been forced out of business, and even our large, nationally-important lead and zinc mines were reduced to the status of marginal operations prior to the 1965-1966 period of improved business conditions, and

Whereas, this serious predicament of our mining industry is directly attributable to policies of the federal government which encourage and stimulate the development and exploitation of foreign mineral resources and through tariff concessions permit the resultant low-cost foreign production relatively free access to U.S. markets.

Whereas, these policies, if continued, will not only threaten the economic survival of Idaho's metal mining industry, but will also impose a serious handicap on our nation's capacity to provide from domestic sources the basic requirements for national defense, and

Whereas, the executive department of the federal government and both major political parties, as well as the Conference of Western Governors, have officially recognized the necessity for maintaining a domestic mining industry that is sufficiently vigorous and proficient to assure a minerals mobilization base adequate to national preparedness and security, and

Whereas, past efforts by the federal government to alleviate the depressed conditions which prevail in various segments of the domestic mining industry by means of short-range programs and temporary expedients, such as stockpiling, subsidies and inflexible quota limitations, have not only proven ineffective and inadequate but have also resulted in the accumulation of substantial government stockpiles of some metals, including lead and zinc, and

Whereas, some of these stockpiles, including lead and zinc, now loom as an additional market threat to producers, because, under revised government stockpile objectives, they have been declared to be excessive and it is the intent and purpose of the responsible executive officials to dispose of the surpluses through market channels to obtain funds for use in balancing the national budget, contrary to all legislative intent, and

Whereas, since the fixed quotas on lead and zinc were abolished by executive order in October 1965, imports of both metals have increased tremendously and last year were more than 30 percent and 65 percent, respectively, above the fixed quota levels.

Now, therefore, be it resolved, by the Thirty-ninth Session of the Legislature of the State of Idaho, now in session, the Senate and the House of Representatives concurring, that we respectfully urge the Congress of the United States and the executive department of the federal government to formulate and put into effect with all deliberate haste a national minerals policy that will assure the preservation of a sound and stable domestic mining industry by reserving to domestic producers a fair and equitable share of domestic metal markets.

We recommend that the implementation of this policy include as a minimum:

1. Retention of Congressional control over national stockpiles so as to minimize, if not completely avoid, the adverse market impact of surplus disposal.
2. Provision for adequate limitations on ore and metal imports when required, with import quotas to be applied when metal stocks of domestic producers exceed normal inventories needed to service domestic consumers and to stabilize these inventories at reasonable levels encouraging the maintenance of a strong and healthy mining industry.
3. Provisions for effective enforcement of anti-dumping and countervailing duty rules and regulations.

Be it further resolved, that the Secretary of State of the State of Idaho be, and he hereby is, authorized and directed to forward certified copies of this Memorial to the President and Vice President of the United States, the Speaker of the House of Representatives of the Congress, and to the senators and representatives representing this state in the Congress of the United States.

Senator ANDERSON. Thank you, Senator Jordan, for that fine statement.

Senator Church has another committee assignment, and he will be recognized for his statement.

Senator Church.

**STATEMENT OF HON. FRANK CHURCH, A U.S. SENATOR FROM THE  
STATE OF IDAHO**

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

I am supposed to chair another subcommittee hearing in the next room and am already late for that. I appreciate the courtesy, Mr. Chairman, of making this short statement.

I appear before your subcommittee today to urge early and favorable action on S. 289, the lead-zinc bill. I am, as you know, a co-sponsor of this proposed legislation which I consider essential to the proper protection of the lead-zinc industry in my State of Idaho and the rest of the Nation.

Between 1958 and 1963 the lead-zinc industry found itself the victim of low prices. Metal stocks were excessive and mine and smelter production dropped. A quota on imports was finally established. For the last 3 years the industry has prospered. Consumption has increased. Our domestic producers have opened old mines and expanded production.

However, the import quota controls were lifted late in 1965, and no replacement has been afforded. Even though the industry is stable at the moment, there is no guarantee that history will not repeat itself, and that a foreign surplus will not depress our domestic markets. Over the years, the industry has suggested numerous plans for a long-range mining policy. None has proved acceptable to the executive departments. This proposal is, admittedly, a short-range, back-up legislation to provide an import control plan that could be implemented when and if it is needed. Its provisions would simply guarantee that an adequate supply of lead and zinc ores and metals would be available from all sources at reasonable cost.

I might say, Mr. Chairman, that it seems to me that the time is now opportune to put such legislation on the statute books. In times past, we have waited until a serious crisis has afflicted the industry and then we have turned to some emergency program or we have rushed to the Tariff Commission, and I think that that kind of action is to be avoided if at all possible.

I think the thrust of this bill is excellently defined in its title; and that is, "To protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources."

Mr. Chairman, I hope your subcommittee will place an early stamp of approval on this bill, report it to the full committee, and that we can bring it to the floor of the Senate for prompt and favorable action.

I want to thank you for your courtesy.

Senator ANDERSON. Thank you, Senator Church.

We have received statements from Senators Bible, Metcalf, Dominick, Bennett, Montoya, and Cannon, all of whom are greatly interested in this legislation.

(The statements referred to follow:)

STATEMENT OF HON. ALAN BIBLE, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman, in July of 1965, before this same subcommittee, I testified in support of legislation giving a four-year extension to the 1961 Lead and Zinc Stabilization Act. I said then that mining cannot be turned on and off like a water tap and that it was essential that Congress act to guarantee a stable lead-zinc industry. Stabilization payments are, at best, short-term insurance. As I said at that time, "This measure merely continues interim support for lead-zinc miners, and its benefits are limited. We must look next to a long-range solution, which I believe we will find with legislation restricting imports."

I wish now to re-emphasize that statement—and that warning. Prompt Congressional action now will head off a crisis in America's lead-zinc industry before it can develop. It is true that lead-zinc producers are still enjoying a prosperous recovery period, but there are growing signs that world production may soon create another surplus situation that could plunge the lead-zinc industry into another period of depression similar to that in the 1950s. We do not want this to happen, and we cannot afford a wait-and-see attitude. The time to provide insurance against such a situation is now.

I consider the flexible quota system proposed in S. 289, the legislation before this committee, to be the fairest and most effective possible solution pending adoption of a sound, longer-range minerals policy. It is a system activated by market conditions, and this activating principle will help avoid any unnecessarily restrictive import regulations. The quotas would not become effective unless stocks of primary lead-zinc producers reach levels considered excessive to normal requirements. Even then, the restrictions on imports are for no more than three years. During that period, a shortage of the metal would cancel the quota. The life of the legislation itself is kept to five years to permit re-evaluation.

Mr. Chairman, a prosperous and stable lead-zinc industry is important to our nation. I urge prompt approval by this Committee of this legislation to maintain that condition.

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STATEMENT OF HON. LEE METCALF, A U.S. SENATOR FROM THE STATE OF MONTANA

Mr. Chairman, as a co-sponsor, I appreciate this opportunity to speak for S. 289, to provide for a stable and prosperous lead and zinc industry.

In the words of its title, this bill seeks to "protect the domestic economy, promote the general welfare and assist in the national defense by providing for an adequate supply of lead and zinc."

This legislation would authorize the establishment of quarterly import quotas on lead or zinc metals and ores when and if needed. These quotas would be triggered by the relationship of metal shipments and the supplies held by domestic primary producers. The Secretary of the Interior would also be authorized to establish quarterly import quotas for any manufactured lead or zinc article. The lead/zinc quotas would be related to a fixed quota base period for imports of articles manufactured from these metals. The Secretary of the Treasury would administer the quotas.

Increasing consumption of lead and zinc in the United States and abroad during 1964, 1965 and 1966 has resulted in a recovery from the 1958-1963 period of excessive metal stocks, unprofitable price levels and reduced mine and smelter production. The increased consumption has encouraged the domestic industry to re-open mines, develop and produce from new ore resources and expand concentrating and smelting facilities. This process is going on all around the world. But the temporary shortage of metal in 1965 can easily change to a surplus in foreign markets. This surplus can, once again, result in excessive and unneeded imports into the United States.

Montana has long been one of the foremost producers and processors of both lead and zinc in the United States. However, market conditions and other economic factors have continued to keep the mining and treating of both metals far below what are considered to be normal levels and, while output increased in 1962 for the first time since 1956, production was not high enough to support a healthy lead/zinc industry in the State. Metals prices in 1965 were comparable to those of 1956 but the value of lead/zinc produced was only half that of 1956.

Lead and zinc deposits are mainly located in western and southwestern Montana. Other smaller operations are scattered throughout the State. In 1957 zinc was produced in 12 of Montana's 56 counties and lead was produced in 18 counties.

The major production is centered in the Butte area. Smaller mines produce limited amounts of both metals, usually in conjunction with silver or other metals. The marginal nature of these operations makes them highly dependent upon market conditions. In 1957, for example, the mines in the Butte area produced 74% of the State's zinc and 79% of its lead. Lead and zinc mining came to a complete standstill in the Butte mines in 1960-61. Mining resumed in 1962 and produced 25,000 tons of zinc, 65% of the state output. This was substantially below the 60,507 tons, or 74% of the 82,185 tons of zinc produced ten years previously in Butte.

Similar operating difficulties, affecting smaller producers, who account for the remaining 26% of the total output, have during recent years caused intermittent shutdowns resulting in loss of revenue and jobs throughout the State.

The situation existing in the lead/zinc industry in Montana and the West in general eight years ago could be described at best as extremely depressed.

Then we did something about it. To alleviate these adverse conditions in the industry, affecting miners, operators, smeltermen and processors of lead/zinc, a quota on imports was established. For seven years the Import Quota Proclamation of 1958 helped a depressed basic industry.

In Montana, mining is one of the three leading sources of income. The 1958 proclamation was really too little—too late. It was not until 1960 that a slight momentary quickening was experienced in the mines and smelters, emphasizing the "lead time" necessary to bring mines back into operation.

But in Montana it was 1962 before we reached the level of lead/zinc production of 1958. This 1958 level was 4,866 tons of lead and 17,282 tons of zinc, less than produced the previous year (1957).

Let's go back eleven years ago and make some comparisons. In 1956 Montana produced 18,642 tons of lead and 70,520 tons of zinc. This represented 11% of total U.S. production for both metals. Preliminary estimates for 1966 show lead production at one-fourth the 1956 level, down to 4,480 tons, and zinc at less than half the 1956 level, down to 28,641 tons.

The following table will demonstrate the plight of the lead/zinc industry in Montana.

*Montana production, lead and zinc (short tons) recoverable metals*

	Average production		Number of mines
	Lead	Zinc	
1952-56.....	18,344	72,508	85
1956-60.....	10,585	38,935	64
1961.....	2,643	10,262	45
1962.....	6,121	37,678	40
1963.....	5,000	32,941	43
1964.....	4,538	29,059	57
1965.....	6,981	33,786	(1)
1966.....	<sup>2</sup> 4,480	<sup>2</sup> 28,641	(1)

<sup>1</sup> Not available.

<sup>2</sup> Preliminary estimates.

In the interest of an industry basic to the economy of Montana and other Western states, and basic to our national defense, I urge this Subcommittee to approve S. 289. By enacting this legislation we will have available a modernized, up-to-date quota plan that could be placed in effect as soon as it may be needed.

If we delay, it may again be too little—too late, and we must avoid a repetition of the lead/zinc mineral depression of 1958.

Mr. Chairman, I request that the record include letters from J. J. Watkins, Chairman of the Citizens Committee for Stabilization, Lead-Zinc Industry; Lindsay Johnson, President of the New Jersey Zinc Company; Bill Hand, Vice President of the Southwestern Montana Mining Association and H. E. Gardiner, Vice President of the Anaconda Company.

SOUTHWESTERN MONTANA MINING ASSOCIATION,  
Dillon, Mont., April 8, 1967.

Senator HENRY M. JACKSON,  
Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.

DEAR SENATOR: We write you at this time concerning the hearing on S. 289 to be held April 12, 1967.

This Association endorses this Bill and urges that the Committee approve it. Our members who are small producers of the two metals, lead and zinc all too keenly recall the wild fluctuations that have occurred in the prices of these metals.

We are inclined to believe that such legislation would tend to take the "knife edge" off the prevailing situation.

We shall follow the results of the hearing with great interest.

Incidentally, we appreciate that we must have reasonable imports of lead and zinc but we do wish that the "boom and bust" situation could be relieved to some extent.

Thank you in advance.

Sincerely,

BILL HAND,  
Vice President, of Beaverhead County.

THE ANACONDA CO.,  
Washington, D.C., April 12, 1967.

HON. LEE METCALF,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR METCALF: The Anaconda Company is pleased that you are not only a co-sponsor of S. 289, but plan to testify in support of it at the hearing before the Senate Interior and Insular Affairs Committee.

We consider this proposed legislation a reasonable and desirable plan to provide import controls for lead and zinc, if and when needed, to regulate imports of these materials at levels necessary to supplement domestic production.

Sincerely yours,

H. E. GARDINER.

CITIZENS COMMITTEE FOR STABILIZATION LEAD-ZINC INDUSTRY,  
Flat River, Mo., February 22, 1967.

HON. LEE METCALF,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR METCALF: As a representative group of the largest lead-zinc producing area in the nation, we extend our thanks for your co-sponsorship of legislation affecting the lead-zinc industry. The removal of quotas by the Administration makes congressional action necessary if we are to avoid the reoccurrence of the problems that have beset the industry in previous years. We cannot forget the dark days of the 1950's when we had one of the highest unemployment rates in the country.

The Flexible Lead-Zinc Import Quota Bill is needed and we urge the members of the Congress to give whole hearted support to its passage. If we can assist, please tell us.

Yours very truly,

T. J. WATKINS, Chairman.

THE NEW JERSEY ZINC CO.,  
New York, N.Y., February 17, 1967.

SENATOR LEE METCALF,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR METCALF: We were very pleased to learn of your co-sponsorship of S. 289, the standby flexible quota bill relating to lead and zinc.

As you no doubt know from other sources, current and potential world supplies of these metals are approaching the point where the stability of prices and hence the welfare of United States mines and their employees will again be

threatened and adversely affected by excessive imports. Unless some deterrent is standing by, we are likely to approach a repetition of the inexcusable and intolerable conditions caused by excessive imports in 1957 and 1958.

Without some assurance that the 1957 experience will not be repeated, it is difficult for those of us who are responsible for forward planning to maintain and develop continued supplies of lead and zinc in this country, to proceed towards new projects with the confidence that is required to dedicate funds for the purpose.

It is an anomaly that in an expanding economy there should be a situation such as this, but I assure you it is the case. We think it is imperative that this legislation be adopted by Congress without delay. By the nature of it, there will be no immediate effect on any foreign producers but the mere presence of this law on the books will have a remarkable policing effect on the entire lead-zinc industry, both abroad and in this country.

I believe this so strongly that I am of the firm opinion that if your bill becomes law, it will be so effective as a deterrent to excess production that it is unlikely that quotas will ever go into effect. This I think is particularly so in the case of zinc.

Sincerely yours,

LINDSAY JOHNSON, *President.*

STATEMENT OF HON. PETER H. DOMINICK, A U.S. SENATOR FROM THE STATE OF COLORADO

Mr. Chairman, I strongly favor the enactment of S. 289, the Lead and Zinc Act of 1967, feeling that it is imperative that we take immediate action which will protect our domestic lead and zinc industry. I have long been concerned about this problem having co-sponsored legislation to rectify it in the 88th, 89th, and 90th Congresses.

The people of the State of Colorado are concerned that some action be taken to provide a measure of continuing protection to this industry. During 1966 Colorado produced 23,450 short tons of lead, over 7 per cent of all lead produced in the U. S. We also produced 54,655 short tons of zinc, over 9 per cent of all the zinc produced in the U. S. Our state also ranked 4th out of 50 in the total production of both metals. However bright these production statistics may look, they may represent only a temporary situation unless legislation such as S. 289 is enacted.

During the period 1958 to 1963, the lead-zinc industry experienced excessive metal stocks, depressed prices and a greatly reduced mining and smelter production. The direct cause of this catastrophe was a flood of lead and zinc imports from foreign sources. Where in 1951 Colorado had about 116 mines, the figures by 1958 was about 27.

There were also drastic reductions in our total production of lead and zinc during this period, the production of lead decreasing by about 60 per cent.

Although the administration, through President Eisenhower, set up a temporary import quota plan in 1958 to attempt to rectify the situation, the action was too late for the greater part of the damage had already been done. These quotas have now expired and the lead-zinc industry stands naked and unprotected before the very great risk of another import flood such as occurred in 1957 and 1958.

I have long felt that we needed a definite minerals policy in this country, especially to deal with areas of potential difficulty such as lead-zinc. It is imperative that we enact a minerals policy that will be long range and can be speedily put into effect when foreign imports reach a level of potential danger.

The imports of lead during 1966 were about 25 per cent greater than in 1965 while the imports of zinc increased over 35 per cent during the same period. This rapid increase in imports could well lead to future trouble for our domestic lead-zinc producers and therefore, we must be prepared to respond to the situation. We cannot continue our present policy of merely responding to a crisis after it has occurred.

## STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

## LEAD-ZINC QUOTA BILL NEEDED NOW

Mr. Chairman. It is a pleasure to present my views to this distinguished Committee today in behalf of S. 289, the Flexible Lead-Zinc Import Quota Bill, which I have had the honor to co-sponsor with 27 of my colleagues.

As this Committee is well aware, any mineral policy for the lead-zinc industry adopted in the near future will be developed by the individual industries, acting together with the Congress. Until the Executive Department accepts its responsibility to encourage on a long-range basis the continued search for, and production of, domestic lead and zinc, the industry must request such a plan from Congress.

Current and potential world supplies of lead and zinc are approaching the point where the stability of prices and hence the welfare of United States mines and their employees will again be threatened and adversely affected by excessive imports. It is imperative that a plan be enacted to serve as a deterrent, or we are likely to face a repetition of the inexcusable and intolerable conditions caused by excessive imports in 1957 and 1958.

Without some assurance that this experience will not be repeated, it is difficult for those who are responsible for forward planning to maintain and develop continued supplies of lead and zinc in this country, to proceed toward new projects with the confidence that is required to dedicate the necessary funds.

Extreme fluctuations in the market prices for lead-zinc have occurred during the past two decades. The direct results have been similar variations in exploration, development and production with accompanying metal supply surplus or deficit, as the production curve lags behind that for demand. The domestic producers have long advocated a minerals policy which would maintain a necessary segment of the domestic lead-zinc mining and smelting industry and encourage the exploration for and development of new mineral reserves. This policy would also provide the domestic lead-zinc consumer with adequate metal supplies which will in turn encourage the expanding use of these materials. In presenting programs to accomplish this policy, the industry recognizes that reasonable quantities of imported lead and zinc are required to supplement domestic production.

Since the Executive Department has failed to present a policy including these factors, the burden of developing a minerals policy has fallen on individual industries. A simplified and liberalized legislative proposal was prepared and recommended to Congress. This is certainly the most liberal plan for limits on imports that has been proposed by domestic industry. This "minerals policy", proposed to adjust with current and future business conditions in the lead-zinc industry, was introduced in the 90th Session of Congress by Senator Anderson with 27 co-sponsors and by Congressman Aspinall with 28 companion bills.

S. 289 provides for flexible quota legislation with a five-year term. During this period, if domestic producers' metal stocks reach levels considered excessive as defined in the bill, quotas on either lead or zinc ores and metal would become effective for a three-year period. The quotas would be canceled if stocks were reduced below normal levels and additional imports were needed. A minimum import quota would be guaranteed. The plan is simple, fair to producer, consumer, and importer alike, and would go into effect only when it is necessary to stabilize the supply consumption ratio at proper levels.

I feel it is imperative that Congress adopt this legislation without further delay. Although there will be no immediate effect on any foreign producers, the mere presence of this law on the books will have a policing effect on the entire lead-zinc industry, both at home and abroad. It is to be hoped that S. 289 will prove so effective as a deterrent to excess production that quotas will never go into effect.

Mr. Chairman, I respectfully urge your Committee to act favorably on S. 289.

Thank you.

## STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Mr. Chairman and members of the Subcommittee, I wish to thank you for this opportunity to appear before you in support of S. 289, the proposed Lead and Zinc Act of 1967.

The distinguished senior Senator from New Mexico, Clinton P. Anderson, indeed should be commended for taking the initiative in introducing this most essential piece of legislation. I am pleased to have joined Senator Anderson and 26 of our colleagues in sponsoring this measure.

Mr. Chairman, the lead and zinc industry provides a very critical segment of our domestic mineral production. Because of its contribution to our economy, it is necessary that action be taken to stabilize domestic production.

Let me describe to you how this industry affects my home state, and how certain factors in the marketplace have affected the industry in turn.

The lead and zinc industry of New Mexico consists of mine production and concentrating mills. This industry is of considerable importance to areas of New Mexico in which it operates, and there are good reserves of both metals. However, industry profits are vulnerable to the squeeze between increasing costs for labor and material and any reduction in price.

During 1951, New Mexico lead-zinc mines employed slightly over 1,250 men and produced 5,846 tons of lead and 45,419 tons of zinc, which had a combined value of over \$18 million. The severe drop in price of 1952 and again in 1953 resulted in sharp curtailment of mining and eventually in 1959, production was down to 829 tons of lead and 4,636 tons of zinc with a combined value of \$1.2 million. Employment sank to 102 men.

With an average wage of \$18 daily for miners, the impact of the wage loss alone to mining communities was of major significance. Additionally, each job in a basic industry supports from 3 to 4 jobs supplying material and service to the industry and its employees. At the present time, it is estimated that the lead-zinc industry in New Mexico employs 475 people with an annual payroll of \$2,225,000.

When foreign dumping of surplus lead and zinc takes place, prices for our domestic supplies plummet. As several of the figures I have already used illustrate, employment, production and profits suffer. Communities throughout the nation where domestic lead and zinc production is carried on suffer loss of jobs, wages and taxes paid by the affected producers. We must act to prevent this, for another series of storm clouds are already on the horizon.

Production of lead and zinc has been increasing on a world-wide basis with a strong possibility that the resulting surplus will seek the American market. Before international dumping of this looming surplus starts, it is imperative that a plan for control be prepared. This plan should take the form of a reasonable import quota.

S.289, which we have before us today, would provide reasonable and flexible import quota controls during periods of such a world production surplus of either metal.

The bill will provide a quota on imports of lead and zinc ores or metals when stocks of American producers reach levels in excess of normal smelter requirements. This quota would become effective for a period of three years, or until a shortage developed in domestic producers' metal stocks.

It is proposed that a five year term be affixed to this legislation to permit re-evaluation of the program and enactment of a more permanent minerals policy.

The sponsors are convinced that authority for application of quotas should be enacted during the current period of improved business conditions, so prompt action could be taken when and if needed.

This legislation is fair to importer as well as to domestic producers. It will assure continuation of favorable market conditions and bring stability to an industry that is so essential to the well-being of our economy that it cannot afford alternating cycles of "boom and bust," as have occurred in the past.

I urge your prompt and favorable consideration of S. 289. Thank you.

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STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman and Members of this Committee: As a senator from the State of Nevada, I want to thank you for the courtesy of allowing me to testify on behalf of the lead-zinc quota plan as envisaged under S. 289. My statement in this hearing testifies to my vital concern about the minerals policies of our Nation as well as to my very deep interest in the economic well being of our raw ore producers.

My State of Nevada is not among the top states producing lead and zinc today. Nonetheless, I wish to give my unequivocal support to the bill, S. 289,

because this bill, although directly concerned only with these two strategic minerals, is, in essence, the beginning of a real national minerals policy by Congress. For years we have waited for our Executive agencies to prepare an overall, sound minerals policy for consideration by Congress. Our Department of the Interior has sole jurisdiction over the extractive mineral ore industries of our Nation, but, sad to say, no effective minerals policy has been forwarded to Congress where our domestic producers, domestic consumers and importers of ore and mineral extracts can have their interests balanced against each other so that the national interest can prevail. This has meant at best very piecemeal legislation or the adoption, by Executive Order, of temporary controls and import quotas to fit unforeseen conditions affecting the supply and demand of strategic minerals.

This hit or miss operation of a disjointed minerals policy has resulted in the temporary imposition of import quotas on lead and zinc essential to our industrial production, and then again the elimination of these quotas to the confusion of our domestic producers, importers and the industrial consumers of these strategic minerals. Naturally, we have had the foresight to stockpile strategic minerals for times of emergency, such as war, but this does not eliminate the distress existing presently in the lead and zinc industries between us and major foreign producers who really never know just what our import policies are with respect to strategic minerals. It is in large measure to eliminate this uncertainty about import tonnages of lead and zinc that S. 289 has been introduced.

Other witnesses will no doubt quote the exact statistics of our production of lead and zinc ores, the annual requirement figures for lead and zinc by industrial usages, and the shortfall to be supplied by imports. They will give a prognosis of the percentage increases of these two strategic metals needed for the foreseeable future and what proportion of our future requirements can safely be assigned to imports.

As a Senator, I am here to stress my support of even this temporary Congressional policy on these two strategic minerals. Since 1950 our domestic lead-zinc industry has proposed several plans as a U.S. minerals policy—but to date no favorable action has been taken by the Administration.

After the Marshall foreign assistance plan achieved its initial successes in Europe, industrialized nations overseas began to take advantage of our foreign assistance slogan of "Trade not aid" and came close to swamping us with their exports for dollars. By 1958 we were caught with too many thousands of tons of imports of lead and zinc with the result that our domestic producers either had to see many of our mines and smelters closed or we had to put some kind of limitation on excessive imports.

Actually, as one studies the totals of imports allowed under quotas on lead and zinc ore and metal, one finds that our import allowances have been quite generous. In the light of our increasing industrial needs, and particularly our requirements in our war-preparedness effort, the Administration came to realize that the quota limitations were no longer necessary. Therefore, the President abolished the quota system in October 1965.

But what has happened in the last two years to change the picture to the extent that now once again the domestic lead-zinc industry has proposed a flexible quota import system?

First of all, there has been a world-wide process of exploration and exploitation of strategic mineral resources, particularly by the newer developing nations. American and European companies have succeeded in establishing many new overseas sources of strategic minerals, particularly of lead and zinc. Now one mine in the old mandate of German South West Africa is producing, under American management, nearly one-tenth of total American requirements of these minerals. Many developing nations have found in their raw minerals a real source of much-needed dollars. Today there is actually a world-wide surplus of lead and zinc. Indications are that this surplus is increasing alarmingly; it is far greater than the industrialized nations can consume.

What has happened here at home? We have reopened old mines. We have developed new sources. We have expanded our concentrating, beneficiating and smelting facilities. In just one State like Missouri, our domestic producers of lead and zinc have invested a sum of over \$300 million. If in addition to this expenditure for extraction facilities, we add the ancillary investments for smelters, roads and facilities for workers, the total in that one State alone will come close to a billion dollars. And Missouri is not the only State where these enormous investments are being made. Other States are doing the same.

What does this mean? It means that with increasing domestic production of lead and zinc, the percentage of our total requirements on which we have to

rely for imports is steadily dropping. Yet, because of the increasing world surplus of lead and zinc, coupled with lower overseas prices than domestic production costs, we are being faced with increasingly unnecessary and competitive imports. If this condition continues, we will very soon be faced with the possibility of having to close down quite a few of our domestic mines with resulting unemployment and dislocation.

In order to forestall a similar imposition of quotas, as was done in 1958, our lead and zinc producers have asked that Congress step in now and set up an equitable import policy by taking care of our domestic producers, yet not cutting out all foreign imports. Although the executive agencies had seven years during the quota period to develop a policy for lead and zinc imports, the sad fact is that today an import policy is not "on the books." As of this moment, imports are under no restrictions whatever and with the fierce competition of price levels overseas as compared to our production costs, imports are bound to increase.

It is in this potentially destructive competitive struggle between domestic and overseas supplies that it is best to set up some norms to be followed. These norms concern production, consumption and imports. I think that S. 289 with its various percentages of inventory stocks, quotas of ore and metal, quotas by country and various other flexible quotas which may be exceeded under various conditions will set up as fair and workable a minerals import policy for lead and zinc as can now be devised. Certainly the objectives are laudable. They are:

First. S. 289 will maintain a viable domestic lead-zinc industry.

Second. S. 289 will provide our industrial lead-zinc consumers with readily available supplies.

Third. S. 289 will allow reasonable quantities of imports of lead and zinc to supplement our domestic production.

Fourth. S. 289 still allows foreign producers unlimited access to our market, because only after the Department of the Interior certifies to the President that excessive imports of lead and zinc might tend to hurt the domestic industry, would flexible quotas be invoked and applied by the Treasury through the Bureau of Customs.

The "trigger" for invoking quotas is automatic and depends on the relationship of stocks and domestic shipments. For lead the "trigger" is Section 103 of the proposed bill S. 289:

"If for any period of three consecutive calendar months, the stocks of refined soft lead and lead content of antimonial lead owned by the United States primary producers, at their own plants and elsewhere, at the close of each month exceed 250 per centum of the average monthly domestic shipments of refined lead by such producers during the same three month period, a quarterly quota for lead metal and lead-ore shall be applied effective the first day of the quarter following this determination."

For zinc the relevant "trigger" is Section 203 of S. 289 and stocks must exceed 175 percent of average monthly domestic shipments.

Following this simple but continuous determination of the Department of the Interior, a variable yet flexible quota immediately becomes operative. For both lead and zinc the import quota for the next quarter is immediately set at 80 percent of imports based on the imports of the ten preceding quarters. However, in no event shall the import allowance for lead be less than 30,000 tons per quarter; and for zinc less than 130,000 tons per quarter. No foreign country could have a valid objection for individual country quotas will be established based on previous import performances.

An automatic termination date for these quotas is also provided:

in the case of lead, it is when domestic stocks have sunk to less than 100 percent of average monthly domestic shipments; and  
in the case of zinc, it is placed at 75 percent of average monthly domestic shipments.

A most commendable feature of this import policy for these two minerals is that as our needs rise, so will domestic production opportunities as well as import possibilities; as our requirements fall, so will domestic production have to be curtailed, but in no instance will foreign import allowances fall below the 30,000 tons per quarter for lead and 130,000 tons for zinc.

It seems to me that our raw mineral producers in this country are generous in assuring foreign exporters such specific import totals for these two minerals. This is their minimum assured market here. In no other instance have we guaranteed such a definite import allowance as part of our trade policy. Would that our exporters of our domestic products were assured of definite marketing percentages in overseas areas based on past performance!

Now a few words as to the possible objections to this new flexible quota policy.

The first outcry will naturally be that this flexible quota is merely a new guise for protectionist policy on behalf of a limited number of domestic producers—this foot in the door will merely be the prelude for other industries to ask for similar protection. My answer is that our national interest is paramount, that these two industries are peculiarly vulnerable to excessive imports with subsequent injury and that we should obviate such possible injury while we still have the time to do so.

The second claim will be that if excessive imports do have an injurious impact on domestic producers assistance procedures have been established for just such instances under our Trade Expansion Act of 1962 by appeals for relief to the Tariff Commission. My answer is that under S. 289 a new procedure will be established, far simpler than the long-drawn-out, often unsuccessful appeals to the Tariff Commission. We know how often appeals by injured industries have been denied by the Tariff Commission on the plea that an industry should be viewed in the national sense rather than on an individual basis. S. 289 will obviate appeals by these two industries.

A third claim will be that certain domestic smelting facilities are entirely dependent on foreign ores and if import allowances are cut to the minimum totals of S. 289, these domestic facilities will be injured by lack of imported ores.

My answer is that these smelters will still be assured a very substantial allowance based on past performance. On the other hand, an appeal for relief by one or two ore smelters to the Tariff Commission can be more easily satisfied and assistance rendered than when scores of domestic lead and zinc producers are hurt.

A fourth claim will be that S. 289 will upset the freer trade philosophy of this Administration. My answer is that the present Administration must be and is aware of domestic interests and will do everything in its power to safeguard domestic industries against injury caused by excessive imports. The Administration will note that these two industries are not only solving their own problems, but still assuring foreign suppliers a fair percentage of our domestic market.

A fifth claim may be by the International Lead-Zinc Study group that the United States is unilaterally safeguarding its own interests at the expense of other world producers. My answer is that as the leading power of the free world and the largest world consumer of lead and zinc at present, we cannot afford to submerge our interests in the interests of others. Other world producers are still assured of very sizable offset markets here.

Finally, may I say that the provisions of S. 289 are entirely reasonable, are fair to foreign producers, give our domestic producers an incentive to continue a viable industry, assure adequate supplies to our industrial consumers of lead and zinc, set limits of three years for import quotas, establish guidelines for a sound import policy for lead and zinc, and set up procedures that are workable, unhampered by ponderous controls and appeals.

I trust that this Committee will recommend passage of S. 289 as a forward step in trade relationships while also establishing the beginning of a new U. S. minerals impact policy.

Senator ANDERSON. Mr. Moore, you represent all the agencies at this time.

**STATEMENT OF HON. J. CORDELL MOORE, ASSISTANT SECRETARY  
OF THE INTERIOR; ACCOMPANIED BY JOSEPH C. McCASKILL,  
STAFF ASSISTANT**

Mr. MOORE. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to testify on Senate bill 289, a measure introduced by Senator Anderson and 27 other Members of the Senate.

We share with this distinguished group of Senators an understanding of the situation confronting domestic producers of lead and zinc who are seeking assurance that excessive imports will not again threaten serious injury to mines and smelters as has happened in the past.

Senate bill 289 provides that restrictive quotas shall be imposed on imports of lead and zinc, should metal inventories of primary producers reach a given level in relation to their monthly shipments.

Quotas are to be applied to metal, to ores, and to specified manufactured items.

The quotas would limit imports of unmanufactured lead and zinc in any quarter to 80 percent of the average quarterly imports during the preceding 2½ years. Fifty percent of the lead quota must be in the form of ore, and 80 percent of the zinc quota must be ore. There are provisions for minimum quotas and for the allocation of the quotas among supplying countries.

The Secretary is given discretion in determining the quantities of manufactured articles permitted to be imported, except that quotas may not exceed 100 percent of the base period.

These restrictions on imports are to be determined and published by the Secretary of the Interior if for 3 consecutive calendar months the ratio of metal stocks owned by primary producers to monthly shipments reaches a given level. For lead, the quotas are imposed when inventories exceed 250 percent of the average monthly shipments. For zinc, the quotas are imposed when metal stocks exceed 175 percent of the average monthly shipments.

These quotas come to an end if stocks drop to given levels. The lead quotas would terminate when stocks for 3 months are less than 100 percent of monthly shipments. The zinc quotas would terminate when zinc stocks for 3 months are less than 75 percent of monthly shipments. In any event, the quotas may not run longer than 3 years. The authority to impose quotas expires at the end of 5 years.

The Department of the Interior and the other agencies which have reported on Senate bill 289 are opposed to its enactment. Our opposition is based in large measure on the belief that adequate remedies are available to the lead and zinc industries as well as to other industries threatened by increased imports resulting from trade concessions and that measures for relief should be taken only after a finding of serious injury or threat of injury by the Tariff Commission. We question the wisdom of singling out these two commodities for special treatment.

Further, we believe that unilateral action of this kind would encounter serious repercussions in our foreign relations as well as adversely affect U.S. exports as other countries adopt retaliatory measures.

From the point of view of national defense, there is no need for the legislation, since the national stockpile contains more than a million tons of each metal—all of which is in excess of the objectives.

Before discussing these points, I should like to review briefly for the committee some background information and recount some important recent developments affecting production and trade in lead and zinc.

Senate bill 289 refers to primary producers, and their stocks and shipments.

There are 11 such primary producers, whose inventories of metal and monthly shipments are reported by the American Bureau of Metal Statistics.

They produce metal from domestic ores, from imported ores, and from scrap.

In addition to these primary producers, there are a number of secondary producers; that is, smelters which produce metal from scrap.

These 11 primary producers, in 1966, accounted for 44 percent of

the domestic production of lead metal, but almost all of the production of zinc metal.

In the case of lead, about three-fourths of their raw materials came from domestic mines; the remainder from foreign mines. In the case of zinc, a little more than one-half of their ore comes from domestic sources and the balance from abroad.

These producers also control mines that supply 50 to 60 percent of their domestic ore and mines abroad which supply from 7 to 15 percent of their imported ore.

The American Bureau of Metal Statistics publishes monthly reports of the production, shipments, and stocks of metal held by these producers. According to these reports, their stocks of lead at the end of 1966 represented 86 percent of their average monthly shipments for the last quarter. Their stocks of zinc represented 84 percent of the average monthly shipments.

I have later ascertained that stocks of both metals, at the end of February, were approximately 120 percent of the monthly shipments.

Members of the committee will recall that the lead and zinc producing industries went through some rough periods beginning in mid-1957 and extend through most of 1963. During much of this period producers' stocks were burdensome, domestic mine production was at low levels, and prices discouraging.

Prior to this, Government stockpiling of lead and zinc between 1948 and 1957 had helped to provide a very strong market for lead and zinc during most of this period, especially during the Korean conflict when lead and zinc metal was in short supply. The demands of stockpiling superimposed on the requirements of the Korean conflict stimulated increased productive capacity worldwide well beyond the consumptive demands of industry in the immediate subsequent years.

When stockpiling ceased in early 1957, world production was well in excess of demand. Prices fell sharply and domestic production gradually declined. To add to the ills of the industry, industrial demand also declined.

Increased imports of ores and metal contributed significantly to the buildup of producers' stocks and to declines in prices.

In 1958, the Tariff Commission found unanimously that the producers were suffering injury as a result of increased imports. There was a large excess of supplies over consumption throughout the free world, and much of this excess had found its way into the United States.

Following these findings of the Tariff Commission, the President ordered restrictive quotas placed on imports of unmanufactured lead and zinc effective October 1, 1958.

These quotas limited the annual imports of ores and of metal to 80 percent of the annual commercial imports during the base period 1953-57.

In spite of the restrictive quotas, the position of the domestic lead and zinc industry did not show substantial improvement during the next 3 years.

Domestic mine production of lead dropped sharply in 1958 and continued to decline, finally dropping in 1962 to the lowest level recorded in this century. Mine production of zinc, which dropped nearly 120,000 tons or 23 percent between 1957 and 1958, improved slowly each year.

These conditions, of course, reflected the general world situation in spite of the effort to isolate the U.S. market.

Market conditions worldwide began to improve in 1963, and by mid-1964 surpluses had turned to shortages, burdensome stocks had disappeared, and consumption was the largest in nearly a decade.

By early 1964, producers' stocks of metals and of raw materials had been drawn down to virtually minimum working levels, and producers joined with consumers in supporting enactment of legislation to authorize releases from the national stockpile to meet the growing industrial demand.

In July 1964 the Congress authorized releases of 75,000 tons of zinc and 50,000 tons of lead. In April 1965, the Congress authorized releases of 150,000 tons of zinc and 150,000 tons of lead for commercial sale and 50,000 tons of each metal for Government use. In November 1965, the Congress authorized still another release of 200,000 tons of zinc.

As of the end of February, there were 89,000 tons of zinc and 38,000 tons of lead remaining unsold from the releases for commercial sale. Little of that available for Government use has been called for.

Prices also firmed up during this period.

The price of lead, which had dropped from 13 cents in the latter part of 1959 to a low of 9.5 cents in 1962, rose during 1963 and 1964 to 16 cents at the end of 1964. Zinc, during the same period, rose from a low of 11½ cents in 1961 to 14.5 cents at the end of 1964.

These prices held during 1965 and the first part of 1966. In May of 1966, the lead price dropped to 15 cents and in October it dropped to 14 cents. The price of zinc has remained at 14.5 cents since November 1964.

The vastly improved supply-demand situation led the Tariff Commission in its report of June 1965 to advise the President that—

termination of the quotas would not likely have a detrimental effect on domestic lead and zinc producers unless world demand for these metals should subside substantially in relation to world supplies.

The President, on October 22, 1965, proclaimed the termination of the quotas; shortly after he had approved, on October 5, 1965, the extension to December 31, 1969, of the Lead-Zinc Small Producers' Stabilization Act.

Thus, after 7 years of restricted trade in lead and zinc, exporters were free to ship to the United States whatever quantities of lead and zinc metal and ores that they wished.

As expected, imports immediately increased. Total lead imports of ore and metal in 1966 were 25 percent greater than in 1965. Zinc imports were 37 percent greater. Metal imports appear to have stabilized during the past 6 months.

Most of these increased imports, along with increased domestic production, have been absorbed without difficulty.

Nineteen hundred and sixty-six was a record year for consumption of lead and zinc in the United States. In spite of the increased imports, and increased domestic output, and in spite of substantial releases from the national stockpile, producers' stocks at yearend were still low—primary lead producers' stocks at the lowest level since the Korean emergency, while zinc producers who had record outputs in 1965 and 1966 had built up their stocks to mid-1964 levels.

Domestic mine production of lead has grown steadily during the past 3 years. It has climbed from the record low level of 1962 back to about where it was in 1957. Mine production of zinc surpassed 600,000 tons in 1965 for the first time since Korea. Work stoppages in 1966 caused the year's figure to fall slightly below 600,000 tons.

Production of slab zinc established new records in 1965 and again in 1966 and production of lead by primary producers in 1966, while not a record, was among the best years of the past decade.

During the past quarter, there has been some evidence of a decline in demand, especially of zinc. Shipments of zinc have been less than the comparable period a year ago and stocks have begun to grow. At least two domestic producers of zinc have announced reduction in output.

Demand for lead has continued strong, but prices have declined.

The legislation before you is not intended to provide assistance during times such as this, while demand is good and stocks are manageable. It is intended, rather, to impose quotas on imports at such times as producers' stocks of metal reach a level considered excessive in relation to shipments.

The concerns of the industry may be more fully understood in the light of the expansion of mine and smelter capacity now taking place around the world.

Should all of the new capacity now being constructed or planned worldwide be brought into full production on schedule, supplies would probably exceed demand and stocks would accumulate, unless existing mines and smelters cut back to accommodate the new ones.

The international lead-zinc study group at each of its sessions attempts to catalog new developments in mines and smelters in the free world with some estimates of their capabilities.

A tabulation of the productive capacity of these new mines and smelters now under construction or announced through 1969 would indicate a potential increase in production of both lead and zinc considerably in excess of anticipated demand.

While most of the expansion of zinc capacity is taking place abroad, the big expansion in lead is taking place in the United States in southeast Missouri, by domestic producers. This suggests of course that a buildup of lead metal inventories could be caused by sharply increased domestic production without any increase in imports.

This leads us back, Mr. Chairman, to the major issue involved in the proposed legislation: Shall we single out one industry and provide different and preferential treatment involving a departure from our traditional trade policy?

Since the Trade Agreements Extension Act of 1951, all trade expansion legislation has provided an avenue of escape for industries suffering injury from increased imports due to a trade concession. Each of these has required a finding of injury or threat of injury before the President could impose import restrictions or take other remedial measures.

S. 289, however, requires no finding or threat of injury. In fact, there need not even be an increase in imports. The only requirement in the bill is that the level of stocks owned by producers shall be, in the case of lead, two and a half times the monthly shipments, and in the case of zinc, one and three-fourths the monthly shipments. Rising stocks do not necessarily reflect increases in imports. Increased domes-

tic production alone could lead to excess supplies. Thus, the control of imports would be determined by the industry rather than by market conditions.

While we understand the concern of the producers and appreciate their position, we do not believe it is in the national interest to single out the producers of two commodities and depart so far from our trade policies.

We believe that only as there is a finding of injury or threat of injury flowing from increased imports due to a trade concession, should action be considered. We are aware of the producers' concern that the time elapsing between the filing of a petition with the Tariff Commission and action by the President allows the injury to widen and deepen and to make recovery more difficult.

The President had this in mind when, in terminating the quotas, he urged the members of the Tariff Commission to streamline its procedures and to redouble its efforts to expedite proceedings in any case where delay might bar effective action.

We are hopeful, of course, Mr. Chairman, there will be no occasion for the industry to seek relief from imports. The development and dissemination of good statistics on production, consumption, and trade in lead and zinc by the International Lead Zinc Study Group and the widespread participation of major producers of the world in its endeavors, we hope, have created an awareness on the part of all producers as to the nature and sensitiveness of free world lead and zinc markets, especially the U.S. market.

Those who are planning new mines and smelters are surely aware of market demand and presently available supply and expect to adjust their output so that supply and demand remain in reasonable balance.

There is evidence that producers of zinc within and outside the United States are already making such adjustments, as they are reducing output.

Furthermore, as the Tariff Commission pointed out in its June 1965 report, most domestic producers are in a stronger position to meet import competition than in the past. Their competitive position has improved substantially in the past 6 years. Production has been concentrated in larger, more highly mechanized and more efficient mines requiring less labor per unit of output. The efficiency of smelting and refining has also improved through modernization of facilities.

I do not mean in any sense to make light of the problems that will confront the lead and zinc industries in adjusting to the emerging supply and demand situation. They are serious, and we recognize them as such. Concern over the long-range supply and demand outlook for nonfuel minerals prompted the President to request a study designed to describe existing nonfuel minerals policies and their objectives, and assess alternative ways of realizing the objectives. We would expect this study to provide guidance on nonfuel minerals policies when it is completed. We believe that existing provisions of law provide the necessary Government relief from the problems currently confronting the lead and zinc industries. The lead and zinc stabilization program protects small mines from the consequences of price declines. And, as I have already noted, the Trade Expansion Act provides an

escape clause for industries suffering injury from increased imports due to a trade concession.

Mr. Chairman, since you have asked that the Interior representative speak also for the other Departments, I should like to comment briefly on the foreign policy aspects of the problem.

Not only would S. 289 depart from our accepted trade policies, if enacted, but it would hurt our relations with important friendly countries and adversely affect U.S. exports, as a result of retaliation. Canada and Mexico are important suppliers of lead and zinc, both as ores and metal. They are of course good neighbors and good customers. The impact of the quotas proposed would fall heavily on them. Australia would be another country that would feel the impact of the measure.

They would all resent this form of trade restrictions exercised unilaterally and without reference to the procedures for the determination of injury provided by the Congress.

Mr. Chairman, I have not attempted to go into the technical merits and difficulties of the proposed measure, nor to project what might occur were it enacted. I have rather tried to point out the major issue; namely, whether we should ignore existing trade policies, make an exception and provide different treatment for lead and zinc producers, or whether they be accorded the same treatment provided for all other domestic industries. We think S. 289 would represent a serious departure from our trade policy and would damage our foreign relations.

Mr. Chairman, I have with me Mr. Joseph McCaskill, Acting Deputy Assistant Secretary, who has long had a great deal of experience in this field, and if the committee or any member of this committee, or the chairman, would care to ask us any questions, either Mr. McCaskill or myself would do our utmost to answer them.

If you require additional data which we do not have with us, we would be pleased to obtain that for you.

Senator ANDERSON. Let me ask one question. Has the State Department or the Interior Department ever tried to help the lead and zinc miners of the United States? Don't you always have to have some reason why it can't be done?

Mr. MOORE. I am not sure that I can answer that precisely, Mr. Chairman.

Senator ANDERSON. Can you answer as far as your knowledge is concerned?

Mr. MOORE. I feel that the Department of the Interior has on numerous occasions over many, many years exerted great efforts to help the lead and zinc industry.

Senator ANDERSON. I have been in meetings for 20 years, at least, and maybe more. I have never seen the State Department favor lead and zinc legislation of any kind.

Mr. MOORE. I am not prepared, of course, to speak specifically for the State Department. I can only say that in the aggregate the general consensus has been that the lead and zinc industry today is in a very healthy condition.

Now, that is not to say that conditions will not arise when we will return to the period that existed back 4 or 5 years ago, when we did have excess production in both lead and zinc. However, the mere fact that producing facilities have been provided not only in the United

States, but abroad, would indicate a record healthy condition at the present time.

Senator ANDERSON. When did the President make this request for a study?

Mr. McCASKILL. In his message of January 30 to the Congress on natural resources.

Senator ANDERSON. This year?

Mr. McCASKILL. Yes, sir.

Senator ANDERSON. How many times have we requested some help in previous years?

Mr. McCASKILL. With regard to this particular one, there is an item in the pending budget of \$500,000 for the purpose of this study which has been before the Appropriations Committee.

Might I also, Mr. Chairman, remind you that in 1957 the administration did seek in the Congress a sliding scale tariff on lead and zinc. The State Department and Interior Department both testified before the Ways and Means Committee in support of that. Subsequently the Interior Department and the State Department both testified on a subsidy program that would have involved lead and zinc, and neither of those bills passed the Congress. Subsequently, the Interior Department did support the small producers stabilization bill.

Senator ANDERSON. Yes.

Mr. McCASKILL. Very recently we supported an amendment to extend this legislation.

Senator ANDERSON. Was this nationwide?

Mr. McCASKILL. Nationwide, sir.

Senator ANDERSON. I thought that there might be a pocket of lead-zinc producers among the areas for which this small producers bill was intended.

Mr. McCASKILL. The small producers bill is nationwide. I think the major impact probably falls in the tristate area, but there are participants in the bill from other States.

Senator ANDERSON. Senator Jordan?

Senator JORDAN. Yes.

Referring to your statement on page 8, Mr. Secretary, "Total imports of ore and metal in 1966 were 26 percent greater than in 1965. Zinc imports were 37 percent greater," do you have the figures on that?

Mr. MOORE. Mr. McCaskill will read those to you.

Mr. McCASKILL. In 1965, the imports of ore were about 122,000 tons of lead and in 1966 had risen to 143,000 or 144,000.

Pig lead metal, in 1965, was 221,000, and in 1966 had risen to 285,000. In zinc, imports of ores in 1965 were 426,000 tons. That had risen in 1966 to 521,000. Slab zinc imports in 1965 were 153,000 tons. In 1966 that was 277,000 tons.

Senator JORDAN. Actually, then, foreign imports amount to slightly more in each instance than domestic production; is this true?

Mr. McCASKILL. Yes, sir.

Senator JORDAN. At what point do you regard those imports to have reached a dangerous level? Already you have indicated on the next page of your statement that prices for lead have declined, and you have indicated that at least two domestic producers of zinc have an-

nounced reduction in output. When did you recognize the danger signal of too much imports into this market?

Mr. MOORE. Senator, this is very difficult to put, except perhaps in percentage of consumption or something of that sort. It would seem to me that when imports are rising while consumption is declining, that the danger signals are up. When imports are rising while consumption is rising, as was the case all through 1966 until the very last month, all of the increased imports in 1966 were readily absorbed and additional metal taken from the stockpile. Imports in 1965 and 1966 were not enough to meet the industrial demand, and, had we not had the stockpile available during those years, there would have been serious shortages of the metal.

Senator JORDAN. Then how do you account for the fact that prices have declined very recently in view of the fact that commodity prices generally have shown substantial increases?

Mr. McCASKILL. The decline has been quite recent so far as zinc is concerned. The zinc prices held well for some time. There has been some recent softening, within the last few weeks, of zinc prices, the last few days, really. The lead price, for some reason, declined last year, both within the United States and abroad. The decline in the United States was primarily prompted by the necessity to follow the decline in the London price, lest there be diversions of lead from the London market to the United States. The decline in the price of lead is not particularly clear, because supply and demand have been in good balance. There has been some lead from Soviet bloc countries appearing on the London exchange, some from Bulgaria, and there may be other factors influencing this price. It has not been due in the United States primarily to large imports, because, as I say, they have been absorbed.

Lead stocks have not built up in the United States, that is, producer stocks, until quite recently. This is also true in general of zinc, although zinc has been a little softer, both within the United States and outside the United States, for several months.

The answer in part to that, of course, is the decline in automobile production in the United States.

Senator JORDAN. Imports in 1967 of both lead and zinc followed the trend that was established in 1966 for a 25-percent increase over 1965 with respect to lead and for 37-percent increase in 1966 over 1965 with respect to zinc?

Mr. McCASKILL. I should like, Senator, to separate imports into two parts, if we might, and as does the bill, distinguish between the imports of ores and the imports of metal. The smelters had drawn down their stocks of ores last year quite substantially and were anxious to build up those stocks and to negotiate contracts over a long term for continued imports of ores, in order to make it possible for the smelters to operate efficiently.

Now, the imports of ores have grown. The imports of metals, although they increased immediately after the quotas were removed, have not tended to continue to increase. They have largely stabilized during the past 6 months and are continuing at that level. So that there is no evidence of a continuing rise in the imports of metal.

The imports of ores will be largely determined by the smelters and their needs for raw materials.

Senator JORDAN. I think your statement and the statement by the Secretary make a strong case for this bill, but your conclusions didn't justify the position you have taken.

That is all, Mr. Chairman.

Senator ANDERSON. I can always see the signs.

Senator ALLOTT?

Senator ALLOTT. Thank you, Mr. Chairman.

I just have one or two remarks. This bill brings to mind to me very forcefully the necessity for passage of a bill by this Congress for the establishment of a national minerals policy. For years, I have been introducing and trying to get this committee, and did once, to act favorably on such a policy, and I think if we did, we would have the springboard from which we could benefit with such pieces of legislation as this.

I recognize the argument used that this bill should not become operative upon the basis of stocks of our local people. But if stocks reflect price, what better basis is there for determining whether there is a need for legislation or not? We have been on this escalator, this elevator up and down, for many years. It is too bad that Congress did not pass one of the bills in either 1957 or 1958. Some of us feel very seriously about this.

The lead and zinc mining in my own State has practically dwindled to a standstill with the exception of two or three companies. What would you base legislation on, so that we could get quick and adequate protection, if you didn't base it upon stocks?

Mr. McCASKILL. Mr. Chairman, I think our position, that of the administration, is that the Congress has provided a remedy for exactly that; namely, that if there is a determination of serious injury or threat of injury due to increased imports stemming from a trade concession, that they move into the Tariff Commission. And upon a finding the President is authorized to take action.

Senator ALLOTT. Well, the facts are that we have been through the Tariff Commission with beef, we have been through the Tariff Commission with wool, we have been through the Tariff Commission with mutton. And we had a long session with the Tariff Commission, I believe twice, with lead and zinc, and yet we have never been able to resolve this problem. And taking it to the Tariff Commission, in my opinion, is no answer to the question.

What we have to do is to try to find some way of stabilizing the industry; because the way we are now doing it, we actually increase the problems of our foreign relations. The countries that produce lead and zinc ores are complaining bitterly about the depression of their prices. They are complaining bitterly about the fact that demand goes up and down. Certainly, we should be able to find some way of stabilizing this, so that we can keep our own mining industry here, (1) at a stable production, and (2) keep the imports at some reasonable level of stable production.

I cannot find anything in the last few years which indicates any real effort to get at the cause, the basis of our trouble.

Mr. MOORE. Mr. Chairman, with respect to the first part of your statement, I believe the message of the President does envision that

the study which he requested was intended to supply the deficiency with respect to a general minerals policy.

I would not minimize the potential seriousness of overproduction in either the lead or the zinc industry, but I would invite the Senator's attention to the fact that there are many factors which do not necessarily reflect the true supply and demand. It is almost impossible for the industry to remain perfectly stable, so that supply and demand are in balance. We always have an imbalance one way or the other. We always have too much or too little.

Most industries have to adjust their inventories to meet the changing requirements. We are going through such a period as that at the present time. There seems to be somewhat of a difference of opinion as to whether the economy is in a temporary slump, and will begin its upward trend later this year. That does seem to be the general consensus at the present time. With respect to production of zinc, as Mr. McCaskill has pointed out, part of the imports can be attributed to the fact that the domestic zinc producers are rebuilding their stocks of ores at the present time.

I would also like to invite your attention again to the point that I made in my statement; namely, the fact that there is increasing production facilities for zinc abroad, whereas in the case of lead most of the increase has taken place in the United States. So it is entirely possible that the increase in inventories could be brought about by the companies themselves in excess production in the United States. I am not saying that this is bad or good, but I can say that they have within their own control the ability to increase their imports to the point where it would reach the levels prescribed by the bill.

Senator ALLOTT. You don't really think that a company is going to increase its production, whether it is engaged in mining or in refining, or is engaged in a combination of refining and mining, that it is going to increase the production to the place where it is carrying huge inventories and just stacking and stacking it up, do you?

Mr. MOORE. I can see in certain instances where it might be desirable to increase the stocks in anticipation of increased demand coming along at some future period, when we unwittingly might get into an imbalance.

Senator ALLOTT. This might be done within certain limits, but I don't know of any of these companies that have enough money that they can invest a few million dollars and just let it lay around against the probability of some future demand.

I would like to ask this, Mr. Moore. On Page 11, you said, "The President had this in mind when, in terminating the quotas, he urged the members of the Tariff Commission to strengthen its procedures," and so forth.

Do you know whether the Tariff Commission has done anything in this respect?

Mr. MOORE. I would have to assume that they have responded to the President's request. Most assuredly, if that request had been made to us, we would have acted on it, and would be acting on it.

Senator ALLOTT. You do not know of anything specifically that they have done?

Mr. MOORE. No; I do not, sir.

Senator ALLOTT. I would like to ask one last question. The bill I referred to with respect to a national minerals policy is S. 522, and

it is sponsored by some 16 or 17 Senators, establishing a Mining and Minerals Policy Act. This was referred to the Interior Department and the Budget on February 2. It was also referred to the Interior Department during the last session of Congress, and the session before that, and I don't ever recall seeing a report on it from either the Department of the Interior or the Bureau of the Budget. Would it be possible to get such a report?

Mr. MOORE. I will look that up, Senator, and we will do our utmost to get a report out on that bill.

Senator ALLOTT. Thank you.

That is all I have, Mr. Chairman.

Mr. MOORE. Thank you, sir.

Senator ANDERSON. When you mentioned the Tariff Commission, haven't they found injury twice in lead and zinc? That was in 1954 and 1958.

Mr. McCASKILL. Yes, I think that is correct, Mr. Chairman.

Senator ANDERSON. So the Interior Department knew there was an injury to the producers, did it not?

Mr. McCASKILL. In 1954 the President did not accept the recommendations of the Commission. Instead, he suggested alternatives.

Senator ANDERSON. He gave a reason?

Mr. McCASKILL. He suggested alternatives, including some more stockpiling.

Senator ANDERSON. Yes.

Mr. McCASKILL. In 1958, there were two recommendations by the Tariff Commission, which split three and three on those, and the President chose something somewhere in the middle between them and did impose import restrictions, which ran then for some 7 years before they were terminated in 1965.

Senator ANDERSON. But the Tariff Commission did find that the lead and zinc industry was being damaged?

Mr. McCASKILL. In 1954 and again in 1958; yes, sir.

Senator ANDERSON. Would that not suggest to the people administering the bills that they might resolve that injury?

Mr. McCASKILL. That they might again find injury, is that the suggestion?

Senator ANDERSON. Well, they could find it a dozen times, but no action would ever follow to help the industry, would it?

Mr. McCASKILL. Action was taken in 1958, very definitely. Quotas were imposed.

Senator ANDERSON. Would you favor the continuance of those quotas?

Mr. McCASKILL. The administration did not favor the continuation of them. The President terminated them.

Senator ANDERSON. I was just asking you if you, as a witness, would favor that continuation.

Mr. McCASKILL. The position of the Interior Department on the termination of the quotas was not quite the position of other agencies in the Government, and the President took action different from what was recommended by the Interior Department.

Senator ANDERSON. I know he did.

Senator FANNIN?

Senator FANNIN. Yes, Mr. Chairman.

Mr. Secretary, on page 2 of your statement, you say:

The Department of the Interior and the other agencies which have reported on S. 289 are opposed to its enactment. Our opposition is based in large measure on the belief that adequate remedies are available to the lead and zinc industries as well as to other industries threatened by increased imports resulting from trade concessions, and that measures for relief should be taken only after a finding of serious injury or threat of injury by the Tariff Commission.

My question is: What remedies are available?

Mr. MOORE. Through the Tariff Commission. The remedy is available, sir, that if the industry feels that it is being injured by increased imports, or if the committee of the Congress or the President, or an interested party files such a petition with the Tariff Commission, the Tariff Commission makes a finding and reports and advises the President with reference to that. And the President is authorized then to take certain action following the finding of the Tariff Commission.

Senator FANNIN. At the present time, Mr. McCaskill, you do not feel that this is necessary?

Mr. McCASKILL. This avenue is available to the industry right now, sir.

Senator FANNIN. I realize that, sir. But your statement would lead me to believe that you do not believe it is necessary.

Mr. MOORE. That is correct.

Senator FANNIN. Then you go ahead and say, "We question the wisdom of singling out these two commodities for special treatment."

In consideration of our adverse balance of payments, should we not take a look at the overall trade program, the existing trade policies?

Mr. MOORE. I think that that is a right that certainly this body has, to look into this overall situation. We are constantly reviewing our position with respect to matters of imports at the present time. We are constantly reviewing that.

Senator FANNIN. Mr. Secretary, I would just like to have an idea of what the ratio of imports to exports is today compared to, say, 5 years ago. What is our position today as compared to 5 years ago?

Mr. MOORE. You mean with respect to lead and zinc?

Senator FANNIN. Lead and zinc; yes. We are talking about these two commodities in this bill.

Mr. McCASKILL. We are heavy importers of lead and zinc. We export very little except in manufactured products.

Senator FANNIN. That is the reason for my concern that gradually the foreign supplies are taking over and we are exporting very little. Is that a correct statement?

Mr. McCASKILL. We have not been heavy exporters of lead and zinc for a good many years, except for a brief period around 1960 and 1961, when we exported significant quantities of zinc metal. But that was a peculiar situation and not typical of what has been the trend since before World War II. We have been importers of lead and zinc. We export very little.

Senator FANNIN. Mr. McCaskill, if we have the supplies available, in other words, if we can produce lead and zinc in quantities that would be available for export, shouldn't we strive in every way possible to make it a policy to increase our exports?

Mr. McCASKILL. Senator, we have not the capacity, either mine or smelter, at the moment to supply our own needs for lead and zinc.

Senator FANNIN. That is true in many commodities, but we still do export extensively.

Mr. McCASKILL. That is correct.

Senator FANNIN. There are many commodities of which we do not product a sufficient quantity for our own needs. Steel would be an example.

Mr. McCASKILL. The price situation in the United States for lead and zinc is a little different from that in the world. We have a small tariff on lead and zinc which makes the U.S. price higher than the world price, and there is no incentive for U.S. producers of lead and zinc to export. They can sell it in the United States at a higher price than they can get for it abroad.

Senator FANNIN. What is the position concerning tariffs charged our producers in the countries where we are trying to be competitive? In other words, do we have barriers to our exports into those countries?

Mr. McCASKILL. I think that those barriers are relatively insignificant for lead and zinc—unmanufactured lead and zinc. We are interested in exporting products such as tetraethyl, batteries, ammunition, a variety of types of products made from lead and zinc. We are interested in exporting those, but there is little incentive for us to export unmanufactured lead and zinc.

Senator FANNIN. Do you know what percentage of lead and zinc we receive from Mexico as compared to the overall supply? I just want to determine if there is an appreciable percentage.

Mr. McCASKILL. Yes; it is substantial. The major suppliers of lead to us are Canada, Mexico, Peru, Australia, and Yugoslavia. The major suppliers of zinc to us are Canada, Mexico, Peru, and some from Australia. That is about it.

Senator FANNIN. Thank you.

Senator ANDERSON. Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

I am very much interested. I don't happen to be a member of this subcommittee, but I am here because of my interest in the lead and zinc industries and I have no questions.

Senator ANDERSON. Thank you very much.

Mr. MOORE. Thank you, Mr. Chairman.

Senator ANDERSON. Before you leave, what is the situation of the small producers of lead and zinc under Public Law 87-347?

Mr. McCASKILL. The existing law runs to December 31, 1969. It provides a payment to producers representing the difference between what the domestic price is and  $14\frac{1}{2}$  cents. At the present time, there is no support payment for zinc for the reason that zinc is  $14\frac{1}{2}$  cents. There are payments of half a cent for lead for the small lead producers, lead being 14 cents and the act calling for a  $14\frac{1}{2}$  cent price.

Senator ANDERSON. This legislation only relates to small producers?

Mr. McCASKILL. That is correct.

Senator ANDERSON. How large a share of the industry is represented by these small producers?

Mr. McCASKILL. A very small percentage; very small, 2, 3, 4 percent.

Senator ANDERSON. Would you conclude, then, that the large producers get sort of brushed off, but the small producer is in fine shape? In other words, why can't the same protection be extended to the large producer as is extended to the small producer?

Mr. McCASKILL. I think both are in pretty good shape at the moment. The small producers bill, of course, is rationalized on the basis that it helps the small person who hasn't the capital to survive these

periods of low prices to continue in business. The assumption is that the large producers can continue to survive whatever dips in prices occur from time to time.

Senator ANDERSON. We passed the bill pretty late one day. Maybe we shouldn't have done it.

Thank you very much.

Mr. Clark Wilson is the next witness. Will you identify yourself? You are an old friend of this committee, and we are very glad to have you back.

#### STATEMENT OF CLARK L. WILSON, CHAIRMAN, LEAD-ZINC PRODUCERS COMMITTEE

Mr. WILSON. Thank you, Senator.

I appreciate the invitation. Mr. Chairman, I am Clark L. Wilson, chairman of the Lead-Zinc Producers Committee. I appear on behalf of the domestic lead-zinc industry.

I would like to say here that, while I am presenting a formal statement for the industry, I would like you to know that there are a good many representatives from our industry in the audience and I would advise that there are numerous letters from individuals and associations who are clearly in support of S. 289.

I would like to say at the outset that we appreciate very much the statement made by Secretary Moore. In fact, so much of his statement and mine sort of correspond as far as history is concerned, that I think perhaps I will gloss over the first part of my statement with the understanding that it will be placed in the record.

Senator ANDERSON. That is correct. It will be included at the end of your remarks.

Mr. WILSON. I might comment that I go into a little more detail in the way that some of these events have taken place in the history of our Tariff Commission and legislative effort since 1950, and in so doing we bring out the point that the industry has really had to work a little harder than might have been indicated to gain the little bit we did gain in getting this quota proclamation.

One thing that concerns me in the Department of the Interior statement—and I would suppose you have position papers from other departments commenting on S. 289—is that in our talks with these departments they always fall back on this same statement that when and if we get in trouble again, we should go back to the Tariff Commission. And, of course, they have all referred to the statement made by the President along these lines when the quota proclamation was terminated in September of 1965.

Well now, the only problem in that is that in the first place we have had 12 different reports from the Tariff Commission, and these were good reports. These people do a good job, but the thing is that they are limited by what the law allows them to do. In the present situation it is the Trade Expansion Act of 1962 that lays down the ground rules, and, sure, it does say the President can increase or can decrease tariffs and duties. But it goes on to define this on the basis that they must find that the injury to an industry from imports is due in major part—and I underline that six times—it is due in major part to a trade concession.

Well, in our case the trade concession goes back to 1951 when duties on lead and zinc were cut at Torquay. They were cut 50 percent for lead and 60 percent for zinc. It is just impossible to say that the trade concession back in 1951 is causing the injury at this present date, so that the Tariff Commission is forced to say under the law that the injury is not due in major part to a trade concession, and they can't give us a finding of injury. So that that avenue is closed. That is a dead end.

I just hate to see a department from the executive department come up here and talk about this, because they certainly must know as well as we do that this can't be done.

Another provision of the Trade Expansion Act is adjustment assistance. In the first place, mining companies don't want adjustment assistance. They want to have an economic basis to be able to produce profits on their material, and they want to be able to have funds to do more exploration and development, and to expand operations and replace the ore deposits that they are chewing up as they do their mining. Well, we look at adjustment assistance—and there have been 20 cases before the Tariff Commission—and again these gentlemen have to rule on these by the law. The first 18, as I recall, were just absolutely negative. That was all the Tariff Commission could do. They looked at the results and said they were negative. The 19th came along and was 3 to 2 negative. On the 20th, one of the Commissioners resigned, and it was 2 to 2. And so the President could have made a choice. This was in 1965, and there was nothing done so far as I know.

Adjustment assistance is a dead end road, and we don't want it in the first place. It won't accomplish what we are after. I hope the record will show that this is not the avenue down which we should try to go, and I would hope that if I make any point today it is "Please, Mr. Executive Department, don't ask us to go to the Tariff Commission. We love them and they love us, but we just don't get anything out of it."

SENATOR ANDERSON. In 20 some years of experience down there in this same bill, I know what you face.

MR. WILSON. I might say that we have 12 reports and have tried all the provisions in the law that you can try and are satisfied to leave their files just the way they are now. They are filled almost to overcapacity.

Again skipping over my statement, I would say that I have tried to give again some of the economic background of why we have come to Congress before, to the Tariff Commission before. And actually we are down to the point where apparently there is no relief except legislation. That is why we are here talking to you again, and we assure you we appreciate the interest that you and your cosponsors and the committee have shown. Over the years, our legislation has changed, the reasons being that conditions have changed. When we first started in, I think it was alluded to here before, we were clear down in the hole. We were flooded with surplus supplies. When you are in trouble, you have to ask for more to get yourself out.

Now, the situation is different, and we recognize this, as the Interior statement recognized it. But from our associations among ourselves and with other lead-zinc producers around the world, we know that production has finally started to come on. This leadtime that is referred to, the spigot business, the spigot is starting to turn on. New

mines are coming on. New smelting capacity is coming on, and I have included, as tables 1, 2, and 3, some statistics generated on an international basis, which show that by 1969 there is a good possibility that our lead-zinc mine capacity will expand 19 to 20 percent, and the lead-zinc smelting capacity around the world will expand 14 or 15 percent.

If consumption will expand on the same basis, everything is rosy. But who can say what consumption is going to do? It was going great guns in 1965 and 1966. It is still healthy, but we now notice soft spots, for instance, in Germany and the United Kingdom. Our automobile production slump makes a cut that we feel, and there is just a doggone good possibility that, while production goes up, consumption might not go up so well, and again we take about a third of the lead-zinc consumption of the world. Our markets are very desirable and we hate to see ourselves get back into one of these slumps without something on the books to take up the slack when we need it. Even if we did go to the Tariff Commission to get a finding and even if they are expedited it still takes time to do these things, and you have to be injured before you can go and get help. We want to eliminate that position.

Senator ALLOTT. Mr. Chairman.

Senator ANDERSON. Senator Allott.

Senator ALLOTT. Mr. Wilson, let's spell this out a little bit more, because somebody some day will be reading this record.

Mr. WILSON. Yes, sir.

Senator ALLOTT. You have to be injured before you can get any help, so that you are talking about a period perhaps of a year before you could show any substantial injury?

Mr. WILSON. At least.

Senator ALLOTT. At least, and you are talking about another year by the time you go to the Tariff Commission, at least, are you not?

Mr. WILSON. By the time we get their report.

Senator ALLOTT. So that the point I am trying to make here—and I think it should be a part of this, because it is a very important part—is that the leadtime between the time that you are actually injured and the time you could hope for any help at all is in the neighborhood of 2 years?

Mr. WILSON. That could very well be.

Senator ALLOTT. Do you see any possibility of it being better than that?

Mr. WILSON. No, sir.

Senator ALLOTT. Thank you.

Mr. WILSON. I have indicated on page 7 that I have previously noted that our consumption is being affected by reduced automobile production. I do not wish to be a pessimist in times of prosperity, but our industry has been through these cycles of feast and famine enough times to be looking realistically to the future.

Mr. Chairman, we can easily be facing a period of excessive, unneeded imports that will once again adversely affect our mining and smelting industry.

If this should happen—this time we must be ready, with a plan that will take effect before the serious injury occurs. S. 289 is the plan.

## SUMMARY OF PROVISIONS

1. We still believe that the executive department should prepare a minerals policy and provide controls to encourage domestic production in relation to imports. This is necessary not only for lead and zinc but other metals as well. From what we know of executive department activities in this area, it is logical to assume that some time will elapse before we have such a policy. I have previously commented on changes that have been proposed in legislation as the supply-demand relationship of lead and zinc recovered from depression levels. In light of these changes, it is quite possible that further adjustment may be needed as production-consumption patterns change around the world. S. 289 will act as "stopgap" legislation while Congress considers more permanent legislation and to serve while we wait for an overall minerals policy.

2. In legislation proposed prior to S. 564, as amended last July, the quotas defined would have become effective on the date of enactment of the legislation.

Incidentally, that was a bill that you and others sponsored in 1965, and it was amended last summer based on changes in the industry, based on the elimination of the old quota proclamation.

They were needed at that time to supplement or modify the quota proclamation. We have stated previously that import requirements increased during the past 2 years and are currently greater than the amounts of the quota proclamation. We do not require limits on imports at the present time; however, the point has been made that under conditions of future world production and consumption, imports may exceed our needs. S. 289 provides for a 3-year quota on either lead or zinc, if import limitations are required at any time during the 5-year term of the legislation. Mr. Chairman, I wish to emphasize once again that the 3-year quota will come into effect only if supply and demand conditions require the need for import limitations.

Such a quota must be activated by the market factors of supply and demand. This must be automatic, based on practical and easily available statistical information. S. 289 proposes that quotas will come into effect for either unmanufactured lead or unmanufactured zinc whenever the Secretary of the Interior finds that stocks for a period of 3 consecutive months of either metal, owned by primary producers, exceed a specified percentage of the average shipments of either metal during the same 3-month period. These shipments accurately reflect the consumption of lead or zinc in the United States. The "trigger percentage" for lead is 250 percent and for zinc is 175 percent. The percentage figure must be different as primary producers' lead stock figures do not include the substantial production of secondary lead that has been relatively constant and substantial in comparison to the primary production. These percentages have been determined from past experience as being the levels above which market prices will weaken and incentive for maintenance of the industry will decline. These percentages or "triggers" are high, but they should stabilize the U.S. market at levels that will help the domestic industry. Such a stabilized condition will likewise be of benefit to foreign producers because of the U.S. dependency on substantial imports of lead and zinc.

3. From the industry experience since mid-1964, operating under the quota proclamation, we recognize that quotas can become too restrictive if consumption increases faster than the supply. Accordingly, S. 289 provides that if during the three-year term of a lead or a zinc import quota, enacted as indicated above, there should occur a shortage of the metal in the United States, again determined by the relative level of producers' metal stocks, the import quota would be canceled. The percentage or "trigger figure" for quota cancellation for lead is 100 percent of average metal shipments during a 3-month period, and for zinc 75 percent. Here again, past experience, and this during the last 2 years, has indicated that this ratio of metal stocks to metal shipments will maintain adequate supplies for the consumer. If these "one-shot" quotas are canceled, new legislation will be required to authorize further import controls. And I would underline further import controls.

4. The quotas set by the Secretary of the Interior would be 80 percent of average quarterly imports during a base period of 10 quarters, immediately preceding the quota calculation. This would provide current import information that would fairly serve to establish a quota for a 3-year period. Specific import quotas would be assigned to countries with an import record in excess of 10 percent of imports during a current base period determined at the time a quota became effective. Countries with a lower level of imports would participate in an "all other country" quota.

5. Specified lead or zinc manufactured products should be placed under an import quota during the period that a quota is in effect on lead ores and metal or zinc ores and metal, respectively, if imports of the manufactured item increase substantially after the quotas are in effect. Once again, we know from experience during the quota proclamation period, that imports of certain lead-zinc manufactured items were stepped up as an "end-run" around the quota on unmanufactured material. The Secretary of the Interior should be allowed to place limitations on excessive imports of any manufactured lead or manufactured zinc item during a lead or zinc quota period, respectively. Clarifying amendments for title III of S. 289 are attached as an annex to this statement. And I will speak about that when my statement is finished.

6. The provisions of S. 289 recognize the need for imports of lead and zinc, but, it must be remembered that the U.S. industry has, and is in the process of investing hundreds of millions of dollars in expanding domestic lead-zinc mine and smelter production.

Accordingly, minimum quotas are included to provide the importers a reasonable share of the U.S. market, but the ratio of ore to metal has been changed from the old quota proclamation to conform to U.S. potential production of these items.

We have new mine production coming on stream in the United States by 1969—particularly so for lead. New smelters are being constructed to treat this material. Some custom smelters, particularly in Western States, will require imported material to augment domestic mine production. Accordingly, S. 289 specifies a minimum quota for lead ore of 30,000 short tons per quarter. If the Secretary of the Interior is called upon to determine a quota for lead, he must guarantee 30,000 short tons for lead ore. What we are saying is, that for 60,000 tons, it is 50-50 between ore and metal. If the quota as calculated, exceeds

60,000 short tons, it will be divided equally between ore and metal. A sample calculation, using 1966 as a base since this represents actual import experience not affected by the quota proclamation, indicates the quota would have been at the proclamation level with a greater allocation to ore and lesser to metal than in the old proclamation.

The zinc minimum quota is left at the quota proclamation level of 130,000 short tons per quarter, as domestic zinc production expansion is less than that for lead. As in lead, the ration of ore to metal has been increased but to a lesser extent. The sample calculations here, similar to that for lead, indicates a 23-percent increase over the proclamation level, again with ore increased, and metal slightly decreased from proclamation amounts.

At this point, Mr. Chairman, I would like to mention that there has been some comment that in the case of zinc, while our overall capacity might be sufficient to take care of our consumers, that in the case of special high-grade zinc we might possibly have a tight spot. Some of our people have furnished information that the special high-grade zinc capacity at the present time is 761,000 short tons per year. A part of this is used for high grade, but this is a pretty good figure regarding the special high grade. In 1966, we produced 569,000 short tons of special high grade and we use somewhere between 600,000 and 625,000 tons. It looks as if we are in good shape there, as the imports will include special high grade, so that we don't think there is any particular problem.

In the assignment of quotas to importers, S. 289 recognizes the changes in trade patterns in recent years in the various countries. In the assignment of minimum quotas S. 289, despite the potential of our own domestic industry, recognizes that our domestic production may be limited by economics if supply and demand are to be equalized during a quota period.

7. One last provision of note. Manufacturers of lead-zinc products for export using foreign metal during the proclamation period, were required to enter this metal under the quota from the country of origin, and, in so doing became less competitive in export markets against foreign manufacturers who bought metal at the foreign prices. Unlike the quota proclamation provisions, S. 289 will permit such manufacturers to use imported material, obtain a refund of duties on this metal, and this metal will not be charged to the quota. This means a U.S. manufacturer selling in the foreign market may obtain his lead and zinc at the foreign price, consistent with the market in which he is selling and accordingly his business practice will not be disturbed by enactment of S. 289.

Mr. Chairman, this plan is much simpler to implement than previous legislative proposals. It is fair to the producer, consumer, and importer alike and would only be in effect when necessary to stabilize the supply-consumption ratio at proper levels. We urge that you and your committee approve S. 289 and adopt the amendments we propose and explain in annex II.

Now, turning to annex II, Senator Anderson, we have indicated that in sections 103 and 203 the comment there is "If, for any period of three consecutive months \* \* \*" And this continues referring to the levels of metal stocks in relation to shipments.

As I have indicated, here we propose that the word "any" be replaced by "a". It has been suggested that the word "any" permits

multiple quota calculations. The intent of this legislation is to permit the Secretary of the Interior to calculate a quota once only. The use of "a" clarifies the intent.

2. Title III—Pages 8 and 9.

I have added a new title III in this annex.

S. 564, introduced January 19, 1965, listed certain lead and zinc manufactured items to be placed under a quota whenever imports exceeded a specified quantity as compared to a base period.

S. 564 amended, July 28, 1966, and S. 289 provide "blanket coverage" for application of quotas on all lead-zinc manufactured items exceeding specific limits, without listing specified items.

The purpose was to simplify the terms of this title in line with the changes for unmanufactured lead or zinc.

The provision of S. 289 appears to be too broad in that the Secretary is directed to establish quotas on all products that meet specifications for a 50-percent lead-zinc content and a statistical import record.

The attached revision proposes reinstatement of the list of specified lead or zinc manufactured items, providing that quotas be imposed according to a defined import record considered excessive and also includes permissive provisions for the Secretary to establish quotas on other articles if he determines that imports are excessive.

3. The third proposed amendment has to do with section 405, the last section of the bill.

The intent of S. 289 is to provide authority for a 5-year period during which a lead or zinc import quota may be established for a maximum of one 3-year term, if producers' stocks of metal in comparison to metal shipments, become excessive as defined in the bill. The present language of section 405 may permit a second quota with a 3-year term to be applied, if the 5-year period of the authorizing legislation had not expired. This is not the intent and the attached revision specifies that a quota can be established, "once only" during the 5-year period.

We propose that these three amendments to S. 298 be adopted.

Thank you, Mr. Chairman.

Senator ANDERSON. Thank you, Mr. Wilson. We are glad to have these amendments, and generally we are glad to have any amendments that people in the industry desire to submit. We try our best to do a good job, but sometimes we have to have amendments. You have done a fine job throughout the years, and we compliment you.

Senator Jordan.

Senator JORDAN. Thank you, Mr. Chairman.

I just want to compliment you, Mr. Wilson, on this statement. I think you have done a good job. You have indicated that the need is now and not when we get into distress at a later time. Wouldn't you regard the signals that are evident to even the Secretary of the Department of the Interior as being especially significant at this time? The price is dropping in these metals as the general commodity prices in other things are going up.

Mr. WILSON. As I have indicated, Senator Jordan, I hate to be a pessimist, but I have been through this cycle a few times and when you begin to see a soft spot you like to have something on the books that will take effect.

The advantage of this particular bill is that action will be available, but it doesn't have to take effect as long as conditions go along as we would like and hope that they would.

Senator JORDAN. It only puts a floor under you, a base under you contingent upon arrival of certain circumstances where you would need it, and then it would be too late to start anew and enact legislation to cover the situation.

Mr. WILSON. That is right, sir. We have been through this sine curve experience several times. We would sort of like to soften the dips, and in doing that the peaks will be softened, which is good for our business in the long run and certainly good for the consumer and the importer.

Senator JORDAN. You would like to stabilize the industry.

Mr. WILSON. Yes, sir. We would like to look forward and see that the investment of  $x$  millions of dollars will be repaid by a decent return over the years.

Senator ANDERSON. Senator Jordan, the emphasis that you put on the fact that these things can change is very interesting. We tried once to present some things to the Department of the Interior, and the answer was given. "Why do you wait this long." I submit that some of these actions now would make us much better off than to wait.

Mr. WILSON. That is right, Senator. I might say that I enjoyed Mr. Moore's statement. He and I talk about the same things to a great extent. The only trouble is we differ in the end result. We say we need it, and he says we don't. I am biased in my favor.

Senator ANDERSON. I think the State Department biased in its favor, because we seem unable to get anything by the State Department. When we passed this small mines bill several years ago, many of us thought the State Department was going to be agreeable to the project we had, but as soon as it took care of some very small operators and small amounts according to who they were, the State Department was all through. They said "You got relief."

Mr. WILSON. I might say, Senator, that we supported the small mines bill and actually visited some of these departments in support of it, recognizing that this was a segment that certainly needed some immediate help. They in turn have recognized, in a statement to your committee, that, while they have this, they recognize that S. 289 is a long-term solution is what we are after.

Senator ANDERSON. Senator Allott.

Senator ALLOTT. I congratulate you also, Mr. Wilson, on your statement and also it seems that for many, many years we have been meeting on these things.

Mr. WILSON. That is right, Senator.

Senator ALLOTT. I want to inquire, and perhaps we will get some testimony on this later, How do you envision, because the point will be raised, that this is going to (1) discourage and be a vital blow to our GATT negotiations and to the Kennedy round; (2) that this is going to vitally and adversely affect our foreign policy with the developing nations? And there may be a few other arguments that will be used in addition to this. You have been in this area a long time. How do you feel in a practical way that this would affect our foreign relations with other countries, particularly those which supply us raw minerals?

Mr. WILSON. Senator, the statement has been made by a responsible member of the group I represent that in his opinion, if this legislation

were to be enacted for a 5-year term but effective immediately he would rather doubt that the 3-year quota would ever have to be applied, the reason being that the 3-year quota regulations as spelled out in the bill are ground rules for everybody who participates in the U.S. market. We need imports to supplement our domestic production. If the foreign producers will be satisfied with a reasonable share of our consumption, and if they will observe the ground rules the quota would never have to come into effect.

So that, to answer your question in regard to trade policy, unless someone takes advantage of our markets we won't need import quotas and on that basis I don't see that S. 289 will affect trade policy.

Senator ALLOTT. Basically, this is a utilization of the same policy that I know I have discussed with you in past years but not recently, that you establish the ground rules and then if foreign countries lead themselves into the trap they have only themselves to blame, which is the reason for the introduction of S. 522, to establish a national minerals policy.

Is that your point of view?

Mr. WILSON. That is absolutely right.

Senator ALLOTT. Having done this, we do not stimulate, then, the development of new probably cheaper or more profitable mines, nor overproduction, because they will be aware of what is happening here and what the probable market will be.

Mr. WILSON. Your point—and we agree with it—is that no one in the executive department has ever said what incentive should our domestic mineral industry have, what should it be? We get the negative side that we are trying to do things that give a so-called residual market to the foreign producer. But it must be remembered that the portion of the market that the importer gets is at the U.S. price, and generally this is above the level of the world price. The importer likes the U.S. price and this helps offset their reductions in sales by increasing the value of material that they bring into us.

Senator ALLOTT. Thank you very much.

Senator ANDERSON. Thank you very much for coming here. We are very happy to have your testimony. Your full statement will be included at this point.

Mr. WILSON. Thank you, Senator.

(The statement referred to follows:)

#### STATEMENT OF CLARK L. WILSON, CHAIRMAN, LEAD-ZINC PRODUCERS COMMITTEE

Mr. Chairman and Members of the Committee, I am Clark L. Wilson, Chairman of the Lead-Zinc Producers Committee. I appear on behalf of the domestic lead-zinc industry.

Mr. Chairman, it was my privilege to appear and present a statement for our industry before your Committee on August 14, 1963 in support of S. 1534, a bill to establish "flexible" import quotas for lead and zinc. Today, I appear to support enactment of S. 289, also a lead-zinc import quota bill but with import provisions greatly liberalized from those proposed in 1963.

The differences in the two legislative proposals reflect the improvement in domestic and foreign consumption, production and market price of both metals that has occurred since the Committee hearing in 1963. The continuing need for import quota legislation emphasizes once again the lack of an overall minerals policy to encourage maintenance of a necessary segment of our lead-zinc mining and smelting industry and reemphasizes the absence of any constructive proposal for such a minerals policy from the Executive Department.

Before discussing the provisions of S. 289, I would like to (1) review the several factors leading up to the issuance of the Presidential Lead-Zinc Import

Quota Proclamation in 1958, (2) the efforts of the Congress and the industry to substitute legislation for the Proclamation that would provide effective and reasonable import regulations, (3) the activity in connection with cancellation of the Proclamation, and (4) a survey and forecast of economic conditions, current and future. These are the basis for our continuing request that an effective domestic minerals policy be proposed and adopted by the Executive Department. Lacking that, S. 289 must be enacted as an interim measure.

#### FACTORS PRECEDING QUOTA PROCLAMATION

The Quota Proclamation was an Executive Department temporary action that was taken in lieu of a series of industry proposals for a long-range minerals policy designed to stabilize imports at levels required to supplement domestic lead-zinc production. A brief review of these efforts provides the necessary background for understanding the quota provisions of S. 1534 and the liberalized form proposed in S. 289.

1. Metal prices were at or above present levels following World War II, but dropped to uneconomic levels in early 1950. At that time, the lead industry filed an escape clause action with the Tariff Commission requesting that the 1939 duty reduction of 50% on lead imports be canceled and the statutory rates of 1930 be reestablished. This application coincided with the cancellation of a Mexican Trade Treaty, containing the escape clause provision. Following abrogation of the Treaty, 1930 duty rates on lead were restored.

2. Five months later, June 1951, tariffs on both lead and zinc were reduced 50% and 60%, respectively, at the Torquay trade negotiations and have remained at these levels.

3. The Korean War changed the economic situation but on a short term basis. As market prices dropped following Korea, the lead-zinc industry filed its first escape clause action under provisions of Section 7 of the Trade Agreements Extension Act of 1951. On May 21, 1954, the Commission made a *unanimous* finding that serious injury was resulting from excessive imports and recommended the maximum permissible increase in duties.

4. These recommendations were not accepted by the President, who termed the duty rates proposed as insufficient to "reopen closed mines". In May 1954, he instituted increased defense stockpile purchases and subsequently initiated barter.

5. Bartering in lead and zinc was stopped in early 1957 and defense purchases ceased in mid-1958. Prices for both metals decreased 3¢ per pound in 1957.

6. The President had stated that if stockpile action in lieu of accepting the Tariff Commission's proposal did not accomplish the objectives he sought, he would be prepared "to consider even more far-reaching measures". In June, 1957 the Executive Department proposed legislation for suspension of duties and substitution of excise taxes whenever the market for the two metals was below "peril point" levels. Following a hearing on this legislation in the House of Representatives, the President was advised by the Chairman of the Ways and Means Committee that Congressional action was not appropriate since the President had authority to act under provisions of the escape clause and National Security amendment.

7. The industry filed a second escape clause action with the Tariff Commission in September 1957 requesting increased duties and import quotas. In April 1958, the Commission again *unanimously* found serious injury from imports. In a "split-finding" the Commission recommended increased duties and a quota limitation based on 50% of imports during the period 1953 and 1957.

8. At the conclusion of a 60 day period following the Tariff Commission's finding, the President announced he was "suspending consideration" pending action by the Congress on a proposed "minerals stabilization plan" submitted by the Executive Department and introduced in the Senate as S. 4036. This legislation passed the Senate but failed to pass in the House as Congress adjourned in August 1958.

9. The President was faced with a final decision and issued Proclamation No. 3257, September 22, 1958, establishing absolute quota restrictions on imports for consumption of unmanufactured lead and zinc, effective October 1, 1958. However, the quota amounts were set at 80%, rather than the recommended 50%, of the average annual commercial imports for the base period, much more generous to the importer than recommended by the Tariff Commission. There was no change in basic tariff rates and no provision for quota control of manufactured items.

Mr. Chairman, by the time the President took this action, the damage was done. The quotas were too little and too late. We were flooded with unneeded imports in 1957 and early 1958. Producers' stocks were at all time highs and market prices were at low, uneconomic levels. You will recall that domestic mines closed, employment and production dropped. The quotas did not equate metal supply with demand. Lacking the natural market factor of greatly increased metal consumption, the industry had one alternative or source of assistance—Congressional action.

#### LEGISLATIVE PROPOSALS

The Congress and the industry have worked diligently to propose legislation that would effectively consider the interests of the lead-zinc consumer, the producer, the importer and also present a plan acceptable to the Executive Department. With these several factors to consider, the legislative proposals over the past several years have been altered to meet the various interests and the changing conditions. A résumé of these proposals is attached as Annex I. The changes indicated in this series of proposals have been made to meet the changing requirements for import controls as the economics of the industry changed here and abroad.

At all times the basic premise of the legislation proposed has remained as follows:

1. It is essential to the economy and security of our nation to maintain a necessary segment of the domestic lead-zinc mining and smelting industry. This implies in addition to domestic production, the incentive to explore and develop new mineral deposits.

2. Adequate supplies of both metals must be available to our domestic consumers and at market prices attractive to the present and the expanding future use of lead and zinc.

3. We recognize that imports are required to supplement the domestic ore and metal supply. The principle of a minimum quota provides that a share of our markets will be allocated to the nations exporting lead and zinc.

Earlier in this statement, I referred to improvements in the state of the industry. Since your Committee hearing in 1963, domestic consumption of lead and zinc has increased 12 and 27 percent, respectively. There has been a similar increase in foreign consumption. This gradual increase in consumption brought about a similar decrease in domestic producers' metal stocks. As stocks approached normal levels, market prices strengthened providing profitable operations and encouraged exploration for and development of new sources of supply.

On several occasions, before this Committee, we have commented that a mine is not a spigot that can be turned on and off at will as supplies are required. The truth of this statement has been proven since 1963. By mid-1964, demand was exceeding the supply. Mines that had been closed were re-opening and interest was renewed in finding new orebodies, but this process was too slow to meet immediate requirements. In addition, some countries reduced their imports below quota levels as their own consumption requirements increased. Other countries with supplies available were limited to a maximum import tonnage by the absolute quota system. A combination of the necessary "lead-time" to activate domestic mining and smelting operations and the limitations of an inflexible, absolute quota proclamation, produced a metal shortage for both lead and zinc in the United States.

#### STOCKPILE SALES

Immediate action was required to increase metal supplies. In mid-1964, the domestic lead-zinc producers joined with the consumers in sponsoring legislation for release of 50,000 short tons of lead and 75,000 short tons of zinc from the National Stockpile. These quantities were easily assimilated in our expanding markets. A second release of 150,000 short tons of lead and 150,000 short tons of zinc was authorized in April 1965. A third zinc release of 200,000 short tons was authorized in November 1965; however, at this time the General Services Administration, as the representative of the Executive Department, was advised by the domestic producers that the domestic and world supply for zinc metal was improving and urged caution in authorizing stockpile releases that might cause market disruption.

I repeat that stockpile sales were a necessary part of the domestic metal supply in 1964 and 1965, as rising consumption moved ahead of the "lead-time" required to get new production on stream. The need for stockpile sales changed and decreased rapidly in 1966. For all practical purposes, commercial stockpile sales

should disappear in 1967. The exception in 1966 was the purchase of lead to supplement production lost in Missouri smelter expansion, now completed.

*Summary of stockpile sales*

[In short tons]

	1964	1965	1966	1967 January- March	Balance re- maining author- ized for sale as of Apr. 1, 1967
Lead.....	50,000	35,057	73,208	4,193	37,543
Zinc.....	75,000	218,727	42,165	326	88,782

During the year, pressure mounted on the General Services Administration to sell "surplus" stockpile materials as a means of providing additional revenue for balancing the federal budget. In an effort to expedite lead-zinc sales, the GSA proposed that all remaining material authorized for disposal be placed for sale as a shelf item. This was initiated in February as sales during a one-week period each month and later placed on open account. In mid-year the GSA began a series of conferences to urge consideration of a long-range plan for sale of substantial quantities of stockpile lead and zinc. This would require Congressional authorization.

GSA was informed that the statistical position of the industry in the United States and throughout the Free World had changed to the point where additional sales will disrupt normal channels of supply.

REVIEW OF ECONOMIC SITUATION

I would like to move again to the changing economic conditions in 1964 and discuss the events leading to cancellation of the Presidential Quota Proclamation.

Section 351 (d) of the Trade Expansion Act of 1962 requires an annual review of any industry operating under import restrictions pursuant to action authorized by an escape clause finding of the Trade Agreements Extension Act of 1951. This type of action was the basis for the lead-zinc import quota plan. A report under this authorization was sent to the President on October 1, 1963 and referred to the Office of the Special Representative for Trade Negotiations (called the Herter Group). The Trade Expansion Act provides further that the President may ask for Tariff Commission advice of probable economic effects to an industry by the reduction or termination of an import restriction. Apparently, in view of improving conditions within the industry the Herter Group recommended a full scale review of our industry. The President ordered such a hearing in March 1964. This was held in June 1964, and the report issued in June 1965. The Commission reported to the President that termination of quotas on unmanufactured lead and zinc "would not likely have a detrimental effect on domestic lead and zinc producers unless world demand for these metals should subside substantially in relation to world supplies".

The report to the President was referred to the Herter Group for study and recommendations. This study was made through an inter-agency committee, principally representatives from Departments of Interior (Chairman), Commerce, State, Labor and Treasury. Representatives of our Committee conferred with all these Departments and the Counsel to the President stating our position on this report as:

1. No precipitous action should be taken to change the present quota system until the effect of stockpile releases and the effects of the worldwide build-up of production, on domestic and world markets could be evaluated.

2. The logical adjustment to solve inequities of the absolute quota proclamation was substitution of provisions of the flexible quota legislation, S. 564. Friends of the industry in Congress agreed with this position and so advised the President.

The reasoning was logical and valid; but effective October 22, 1965 the President terminated the Quota Proclamation on entry of lead and zinc ores and concentrates and 30 days later on the entry of lead and zinc metal.

Mr. Chairman, the President terminated the quota with no provision for a continuing lead-zinc minerals policy. He did refer the industry to the Tariff

Commission for any needed future relief and urged the Commission to expedite its procedures and proceedings. This avenue of "help" has been thoroughly explored in 20 cases, including one from the lead-zinc industry, all with negative results. The provisions of the Trade Expansion Act of 1962 eliminate any practical possibility of the Commission being able to come up with a finding of injury to the industry due to excessive imports.

In the discussion of releases from the stockpile, reference was made to improvements in lead-zinc consumption in the United States and around the world. The final figures for 1966 show that current economic conditions for both lead and zinc, here and abroad, were good.

The domestic lead price held constant through 1965 at 16¢ per pound, f.o.b. New York. This was reduced to 15¢ on May 5, 1966 and again to 14¢ on October 10, 1966, closing the year at that level. Both price reductions were made to "restore the world balance" in pricing the metal, reflecting the decrease in quotes on the London Metal Exchange. 1966 domestic consumption set a new record. The additional metal supply came from increased mine production (six percent), an increase in imports of lead ore (eighteen percent) and lead metal (thirty-one percent) and stockpile sales of 73,000 short tons (not all delivered in 1966). These offset a temporary reduction in smelter production. Producers' and consumers' metal stocks did not show much change during the year.

The domestic price for zinc during 1966 remained at 14.5¢ per pound, f.o.b. East St. Louis, and has maintained this level since October 21, 1964.

The producers' price outside the United States, 13.75¢ (110£) per pound at the beginning of the year, was reduced to 12.75¢ (102£) per pound in March. The London Metal Exchange responded to these changes, from a high of 17.5¢ in July 1964. As in lead, domestic zinc consumption set a new annual record in 1966. Zinc production in 1966 was affected by mine strikes in Tennessee, a smelter strike in Illinois, a new zinc mine placed in operation in the State of Washington and an electrolytic refinery reopened in Montana in the latter part of the year.

Slab zinc production was 3% above 1965. General imports were entered at substantially increased rates, 22 percent for ores and a startling 82 percent for metal. Stockpile sales totaled 42,000 short tons, compared to 219,000 short tons in 1965. Mine production in 1966 was six percent under 1965, due to strikes, but will probably increase well above this figure in 1967. Consumers' stocks were fairly stable during the year, but producers' stocks have now increased from 40,000 short tons in January 1966 to 100,000 short tons on February 28, 1967. This is equal to one month's shipments, approximately the normal minimum stock levels.

We would hope that the present situation could be extended, but such a projection will be affected by announced expansion of the mining and smelting industry around the world during the next three years. Also with the decline in automobile production in the United States, zinc stocks have increased, as indicated before, and adds urgency to this testimony.

In previous statements before your Committee, we have discussed the activities of the International Lead-Zinc Study Group. The principal contribution of this activity continues to be the accumulation of statistical information on mine and smelter production and consumption for a three-year period. The last session, held in November 1966, covered 1965, 1966 and 1967 estimates. Each year a world balance sheet is prepared for metal production and consumption, including net trade with centrally planned economies and government stockpile sales. For lead it appeared that there would be a deficit of supply of 13,000 metric tons in 1966, and a surplus of 45,000 metric tons in 1967. For zinc there was an indicated surplus in 1966 of 38,000 metric tons and 123,000 metric tons in 1967.

The 1966 and 1967 estimates of zinc mine and metal production took into account some cutbacks announced by producers outside the United States a few weeks prior to the November meeting.

The lead and zinc world surplus balance forecast in 1967 was without any sales that might be made from the United States stockpile.

#### EXPANDING MINE AND SMELTER PRODUCTION

Each year a survey is prepared of the announced expansion of mine and smelter capacity by country. These figures were published in the January 1967 *Engineering and Mining Journal* and are reproduced for this statement as Tables I, II, and III. Lead and zinc mine capacity are both estimated to increase 19% to 20% by 1969, compared to 1966. The smelting capacity expansion is estimated at 14% to 15%.

The problems of projecting consumption are so nebulous that the Study Group is trying to do this on individual items, but no overall figure is available. Based on trends, the increased capacity given above is at a greater rate than the increase in consumption for the past three years. Consumption depends on the overall economy of all countries. We have noted softening in European demand for lead and zinc caused by industrial recession in both the United Kingdom and Germany. This, in turn, is reflected in increased imports to the United States.

I have previously noted that our consumption is being affected by reduced automobile production. I do not wish to be a pessimist in times of prosperity, but our industry has been through these cycles of feast and famine enough times to be looking realistically to the future.

Mr. Chairman, we can easily be facing a period of excessive, unneeded imports that will once again adversely affect our mining and smelting industry.

If this should happen—*this time we must be ready*—with a plan that will take effect before the serious injury occurs. S. 289 is the plan.

#### SUMMARY OF PROVISIONS

1. We still believe that the Executive Department should prepare a minerals policy and provide controls to encourage domestic production in relation to imports. This is necessary not only for lead and zinc but other metals as well. From what we know of Executive Department activities in this area, it is logical to assume that some time will elapse before we have such a policy. I have previously commented on changes that have been proposed in legislation as the supply-demand relationship of lead and zinc recovered from depression levels. In light of these changes, it is quite possible that further adjustment may be needed as production-consumption patterns change around the world. S. 289 will act as "stop-gap" legislation while Congress considers more permanent legislation and to serve while we wait for an overall minerals policy.

2. In legislation proposed prior to S. 564, as amended last July, the quotas defined would have become effective on the date of enactment of the legislation. They were needed at that time to supplement or modify the Quota Proclamation. We have stated previously that import requirements increased during the past two years and are currently greater than the amounts of the Quota Proclamation. We do not require limits on imports at the present time; however, the point has been made that under conditions of future world production and consumption, imports may exceed our needs. S. 289 provides for a three year quota on either lead or zinc, if import limitations are required at any time during the five year term of the legislation. Mr. Chairman, I wish to emphasize once again that the three year quota will come into effect *only* if supply and demand conditions require the need for import limitations.

Such a quota must be activated by the market factors of supply and demand. This must be automatic, based on practical and easily available statistical information. S. 289 proposes that quotas will come into effect for either unmanufactured lead or unmanufactured zinc whenever the Secretary of the Interior finds that stocks for a period of three consecutive months of either metal, owned by the primary producers, exceed a specified percentage of the average shipments of either metal during the same three month period. These shipments accurately reflect the consumption of lead or zinc in the United States. The "trigger percentage" for lead is 250% and for zinc is 175%. The percentage figures must be different as primary producers' lead stock figures do not include the substantial production of secondary lead that has been relatively constant and substantial in comparison to the primary production. These percentages have been determined from past experience as being the levels above which market prices will weaken and incentive for maintenance of the industry will decline. These percentages or "triggers" are high, but they should stabilize the United States market at levels that will help the domestic industry. Such a stabilized condition will likewise be of benefit to foreign producers because of the United States' dependency on substantial imports of lead and zinc.

3. From the industry experience since mid-1964, operating under the Quota Proclamation, we recognize that quotas can become too restrictive if consumption increases faster than the supply. Accordingly, S.289 provides that if during the three year term of a lead or a zinc import quota, enacted as indicated above, there should occur a shortage of the metal in the United States, again determined by the relative level of producers' metal stocks, the import quota would be canceled. The percentage or "trigger figure" for quota cancellation for lead is 100% of average metal shipments during a three month period and for zinc 75%. Here again, past experience, and this during the last two years, has

indicated that this ratio of metal stocks to metal shipments will maintain adequate supplies for the consumer. If these "one-shot" quotas are canceled, new legislation will be required to authorize further import controls.

4. The quotas set by the Secretary of the Interior would be 80% of average quarterly imports during a base period of 10 quarters; immediately preceding the quota calculation. This would provide current import information that would fairly serve to establish a quota for a three year period. Specific import quotas would be assigned to countries with an import record in excess of 10% of imports during a current base period determined at the time a quota plan became effective. Countries with a lower level of imports would participate in an "all other country" quota.

5. Specified lead or zinc manufactured products should be placed under an import quota during the period that a quota is in effect on lead ores and metal or zinc ores and metal, respectively, if imports of the manufactured item increase substantially after the quotas are in effect. Once again, we know from experience during the Quota Proclamation period, that imports of certain lead-zinc manufactured items were stepped up as an "end-run" around the quota on unmanufactured material. The Secretary of the Interior should be allowed to place limitations on excessive imports of any manufactured lead or manufactured zinc item during a lead or zinc quota period, respectively. Clarifying amendments for Title III of S.289 are attached as an annex to this statement.

6. The provisions of S.289 recognize the need for imports of lead and zinc, but, it must be remembered that the United States industry has and is in the process of investing hundreds of millions of dollars in expending domestic lead-zinc mine and smelter production.

Accordingly, minimum quotas are included to provide the importers a reasonable share of the United States market, but the ratio of ore to metal has been changed from the old Quota Proclamation to conform to United States potential production of these items.

We have new mine production coming on stream in the United States by 1969—particularly so for lead. New smelters are being constructed to treat this material. Some custom smelters, particularly in western states, will require imported material to augment domestic mine production. Accordingly, S.289 specifies a minimum quota for lead ore of 30,000 short tons per quarter. If the Secretary of the Interior is called upon to determine a quota for lead, he must guarantee 30,000 short tons for lead ore. If the quota as calculated, exceeds 60,000 short tons, it will be divided equally between ore and metal. A sample calculation, using 1966 as a base since this represents actual import experience not affected by the Quota Proclamation, indicates the quota would have been at the Proclamation level with a greater allocation to ore and lesser to metal than in the old Proclamation.

The zinc minimum quota is left at the Quota Proclamation level of 130,000 short tons per quarter, as domestic zinc production expansion is less than that for lead. As in lead, the ratio of ore to metal has been increased but to a lesser extent. The sample calculation here, similar to that for lead, indicates a 23% increase over the Proclamation level, again with ore increased, and metal slightly decreased from Proclamation amounts.

In the assignment of quotas to importers, S. 289 recognizes the changes in trade patterns in recent years in the various countries. In the assignment of minimum quotas S.289, despite the potential of our own domestic industry, recognizes that our domestic production may be limited by economics if supply and demand are to be equalized during a quota period.

7. One last provision of note. Manufacturers of lead-zinc products for export using foreign metal during the Proclamation period, were required to enter this metal under the quota from the country of origin, and, in so doing became less competitive in export markets against foreign manufacturers who bought metal at the foreign prices. Unlike the Quota Proclamation provisions, S.289 will permit such manufacturers to use imported material, obtain a refund of duties on this metal, and this metal will not be charged to the quota. This means a United States manufacturer selling in the foreign market may obtain his lead and zinc at the foreign price, consistent with the market in which he is selling and accordingly his business practice will not be disturbed by enactment of S.289.

Mr. Chairman, this plan is much simpler to implement than previous legislative proposals. It is fair to the producer, consumer and importer alike and would only be in effect when necessary to stabilize the supply-consumption ratio at proper levels. We urge that you and your Committee approve S.289 and adopt the amendments we propose and explain in Annex II.

TABLE I.—Changes expected in lead mine capacity <sup>1</sup>

Country	1966 estimated production (metric tons, lead) (1966 total, 2,121,000)	Addition to capacity scheduled for 1966-69 (metric tons per year, lead) <sup>2</sup>
America:		
United States.....	312,000	176,000
Canada.....	299,000	33,000
Peru.....	163,000	22,000
Mexico.....	171,000	18,000
Argentina.....	28,000	11,000
Europe:		
France.....	26,000	10,000
Ireland.....	35,000	19,000
Spain.....	62,000	10,000
Oceania and Asia:		
Australia.....	369,000	72,000
Japan.....	64,000	17,000
Republic of Korea.....	11,000	15,000
Iran.....	16,000	8,000
Total planned new capacity.....		<sup>3</sup> 411,000

<sup>1</sup> As reported in the January 1967 Engineering and Mining Journal.

<sup>2</sup> New capacity cannot be added to 1966 production to arrive at aggregate industry capacity. New capacity estimates do not consider market influences, availability of finance, delays or shutdown of existing mines.

<sup>3</sup> 19 percent of 1966 production.

TABLE II.—Changes expected in zinc mine capacity <sup>1</sup>

Country	1966 estimated production (metric tons, zinc) (1966 total, 3,651,000)	Addition to capacity scheduled for 1966-69 (metric tons per year, zinc) <sup>2</sup>
Americas:		
United States.....	585,000	95,000
Canada.....	963,000	230,000
Peru.....	263,000	37,000
Mexico.....	241,000	14,000
Argentina.....	28,000	11,000
Europe:		
West Germany.....	121,000	14,000
Italy.....	118,000	32,000
Sweden.....	78,000	12,000
Yugoslavia.....	92,000	30,000
Spain.....	60,000	30,000
France.....	23,000	8,000
Ireland.....	19,000	84,000
Oceania and Asia:		
Australia.....	352,000	77,000
Japan.....	254,000	81,000
Iran.....	16,000	7,000
Republic of Korea.....	11,000	7,000
India.....	5,000	5,000
Total planned new capacity.....		<sup>3</sup> 774,000

<sup>1</sup> As reported in the January 1967 Engineering and Mining Journal.

<sup>2</sup> New capacity cannot be added to 1966 production to arrive at aggregate industry capacity. New capacity estimates do not consider market influences, availability of finance, delays or shutdown of existing mines.

<sup>3</sup> 20 percent of 1966 production.

TABLE III.—Changes expected in lead and zinc smelter capacity <sup>1</sup>

	1966 lead <sup>2</sup> production (metric tons)	Addition to lead smelting ca- pacity by 1969 (metric tons per year)	1966 zinc <sup>3</sup> smelter pro- duction (metric tons)	Addition to zinc smelting ca- pacity by 1969 (metric tons per year)
United States.....	738,000	250,000	1,002,000	40,000
France.....	139,000	25,000	196,000	25,000
United Kingdom.....	183,000	15,000	107,000	8,000
Poland.....		20,000		30,000
Yugoslavia.....	103,000	35,000	48,000	40,000
West Germany.....			206,000	80,000
Italy.....			77,000	30,000
Norway.....			52,000	10,000
Spain.....			50,000	30,000
Japan.....	122,000	27,000	442,000	100,000
Australia.....			199,000	30,000
India.....			2,000	38,000
Republic of Korea.....			2,000	3,000
South Africa.....				27,000
Total.....		4372,000		<sup>4</sup> 491,000

<sup>1</sup> As reported in the January 1967 *Engineering and Mining Journal*.

<sup>2</sup> 1966 lead smelter production, 2,671,000 metric tons.

<sup>3</sup> 1966 zinc smelter production, 3,288,000 metric tons.

<sup>4</sup> 14 percent of 1966 production.

<sup>5</sup> 15 percent of 1966 production.

## ANNEX I

## RÉSUMÉ OF PREVIOUS LEGISLATION PROPOSED FOR STABILIZATION LEAD-ZINC INDUSTRY

1. *S. 2169*, introduced in June 1959, proposed a 4¢ import tax on metal when-ever market prices dropped below prescribed "peril point" levels. (15½¢ for lead and 13½¢ for zinc)

2. *S. 1747*, introduced in January 1961, would have provided a flexible tax, i.e., a basic 2¢ tax would be assessed on all imports of lead and zinc metal, and an additional 2¢ would be applied when market prices dropped below 13½¢ per pound. This would be removed above 14½¢ per pound.

3. *S. 1534*, the subject of your Committee hearing in August 1963, was introduced in May 1963 and proposed a flexible quota plan. The importer was guaranteed a minimum quota, somewhat below the Proclamation level, when the price for each metal was below 13.5¢ per pound. A flexible quota, the difference between supply and demand, would be established when metal prices exceeded this level. The ratio of imported ores to metal was increased compared to the Proclamation percentage to assist domestic custom smelters, and global quotas were proposed to accommodate changes in the pattern of world production of these two metals. *S. 1534* was the first effort to make adjustments in the inflexible provisions of the Quota Proclamation.

4. *S. 1534* was reported to the Senate by Senator Anderson on December 10, 1963 with an amendment in the nature of a substitute. The provisions for the minimum import quota were liberalized. The flexible quota, referred to above was to be "triggered" by the ratio of producers' metal stocks to their shipments, a direct measure of domestic consumption. This eliminated the use of a market price as a trigger—an item criticized by the Department of Interior at your Committee hearing. Assignment of quotas was by country but with provisions for adjustments, allowing others to participate, if these assigned quotas were not used.

5. *S. 564*, introduced January 1965, provided further liberalization of minimum quotas up to the level provided in the Quota Proclamation. The calculation of a flexible quota included both long and short term factors of consumption to eliminate sharp variations in the calculation. Supplemental quotas were provided in recognition of increasing domestic and world consumption.

6. *S. 564* amended by a substitute bill in July 1966, was essentially the terms of *S. 289*, the subject of discussion in this hearing.

## ANNEX II

## PROPOSED AMENDMENTS, S. 289

1. SEC. 103 (a)—Page 3, line 9.

SEC. 203 (a)—Page 6, line 14.

Reference—"If, for *any* period of three consecutive months \* \* \*"

We propose that the word "any" be replaced by "a".

It has been suggested that the word "any" permits multiple quota calculations. The intent of this legislation is to permit the Secretary of the Interior to calculate a quota once only. The use of "a" clarifies the intent.

2. Title III, Pages 8 and 9.

Replace Title III with attached revision.

S. 564, introduced January 19, 1965 listed certain lead and zinc manufactured items to be placed under a quota whenever imports exceeded a specified quantity as compared to a base period.

S. 564 amended, July 28, 1966 and S. 289 provide "blanket coverage" for application of quotas on all lead-zinc manufactured items exceeding specific limits, without listing specified items.

The purpose was to simplify the terms of this Title in line with the changes for unmanufactured lead or zinc.

The provision of S. 289 appears to be too broad in that the Secretary is directed to establish quotas on all products that meet specifications of a 50% lead-zinc content and a statistical import record.

The attached revision proposes reinstatement of the list of specified lead or zinc manufactured items, providing that quotas be imposed according to a defined import record considered excessive and also includes permissive provisions for the Secretary to establish quotas on other articles, if he determines that imports are excessive.

3. SEC. 405—Page 10, line 12.

The intent of S. 289 is to provide authority for a five year period during which a lead or zinc import quota may be established for a *maximum of one three-year term*, if producers' stocks of metal in comparison to metal shipments, become excessive as defined in the bill. The present language of SEC. 405 may permit a second quota with a three year term to be applied, if the five-year period of the authorizing legislation had not expired. *This is not the intent* and the attached revision specifies that a quota can be established, "once only" during the five-year period.

We propose that these three amendments to S. 289 be adopted.

## TITLE III—MANUFACTURED LEAD AND MANUFACTURED ZINC

SEC. 301. As used in this title—

(a) The term "specified manufactured lead article" means the following items which if imported into the United States, are subject to duty under the Tariff Schedules of the United States, as indicated:

Litharge (schedule 4, part 9B, item 473.52);

White lead (schedule 4, part 9B, items 473.60 and 473.62);

Plates, sheets, pipe, and tube of lead (schedule 6, part 2G, items 624.10 and 624.50).

(b) The term "specified manufactured zinc article" means the following items which imported into the United States, are subject to duty under the Tariff Schedules of the United States, as indicated:

Leaded zinc oxide (schedule 4, part 9B, items 473.46 and 473.48);

Zinc oxide (schedule 4, part 9B, items 473.76 and 473.78);

Alloys of zinc (schedule 6, part 2H, item 626.04);

Plates, sheets and strips of zinc (schedule 6, part 2H, items 626.15 through 626.24);

Zinc wire (schedule 6, part 2H, items 626.30 and 626.31);

Zinc powders and flakes (schedule 6, part 2H, items 626.40 and 626.42).

(c) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Classification Act of 1962.

SEC. 302. (a) The Secretary of the Interior shall establish quarterly import quotas for any "specified manufactured lead article" or "specified manufactured zinc article" equal to 100 per centum of average imports of such article during the quota base period as provided in sections 101 and 201, where the manufactured lead article or manufactured zinc article is imported in any calendar quarter commencing with the calendar quarter that a lead or zinc quota, respectively,

becomes effective under provisions of section 103 or 203, in quantities equal to 110 per centum or more of the average quarterly imports of such article during the quota base period as provided in section 101 or 201.

(b) The Secretary of the Interior may establish quarterly import quotas for any other manufactured lead article or manufactured zinc article equal to 100 per centum of average imports for such article during the quota base period as provided in sections 101 and 201, where (1) more than 50 per centum of the gross weight of the article is attributable to its lead or zinc content, respectively, and (2) the manufactured lead article or manufactured zinc article is imported in any calendar quarter subsequent to the date that a lead or zinc quota, respectively, becomes effective under provisions of section 103 or 203, in quantities equal to 110 per centum or more of the average quarterly imports of such article during the quota base period as provided in section 101 or 201.

SEC. 303. (a) No manufactured lead article or manufactured zinc article shall be imported into the United States in any quarter after the amount of such manufactured lead article or manufactured zinc article imported into the United States during such quarter equals the quarterly import quota established for such article under this title.

(b) Import quotas for manufactured lead articles or manufactured zinc articles established under provisions of this title shall terminate effective on the date of termination of quotas for lead metal and lead ore or zinc metal and zinc ore as provided in section 103(e), (203), or 405 of this Act.

(c) Any quota established in accordance with this Title shall become effective, on a prorata basis, the first day of the month following the month in which the Secretary determines that the conditions set forth in this title are met.

SEC. 405. A quota for lead metal and lead ore, or zinc metal and zinc ore, established under section 103 or 203 of this Act shall be in effect for a term of three years unless sooner terminated by the provisions of section 103(e) or 203(e). Such quotas can be established once only during the five-year period which begins on the date of enactment of this Act.

Senator ANDERSON. Mr. Robert Koenig.

#### STATEMENT OF ROBERT P. KOENIG, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF CERRO DE PASCO CORP. OF PERU

Senator ANDERSON. You may proceed. Will you identify yourself.

MR. KOENIG. My name is Robert P. Koenig. I appreciate the continued courtesy of Senator Jackson, chairman, and other members of the Senate Committee on Interior and Insular Affairs for the privilege of presenting my views in opposition to Senate bill 289. Similar courtesy was afforded to me in 1963 in opposition to Senate bill 1534, which was a bill designed—as this one is—to impose quotas on lead and zinc, but that bill triggered quotas based upon fluctuations in the market price rather than—as this one does—upon domestic inventory of stocks on hand.

I live in Oyster Bay, Long Island. I am president and chief executive officer of Cerro Corp., formerly called Cerro de Pasco Corp., and various subsidiary corporations, all of which for the purposes of this statement I shall simply refer to as Cerro Corp. or the Cerro enterprises.

Cerro Corp. itself is a New York corporation with offices in New York City, having approximately 20,500 registered stockholders, 98 percent being American residents. The Cerro enterprises are engaged in the manufacture and sale of fabricated metal products in the United States, principally copper and brass wire, cable, tube, rod, and sheet.

A wholly owned subsidiary, which is a substantial factor in the economy of Peru, is engaged in the production and sale of nonferrous

metals including zinc, lead, copper, and silver products from Peruvian mines, a substantial portion of which are owned by us.

I should also mention that in Chile in the last few months, we have concluded arrangements with the Chilean Government under which we have a 75-percent interest in a copper deposit, known as Rio Blanco. The estimated annual production from this mine, which is not due to come into production until 1971, will amount, during the first years of production, to approximately 65,000 short tons of recoverable copper. This new venture should be a substantial factor in improving the economy of Chile.

We have recently announced the prospective merger of Pickands Mather and Cerro Corp. This merger is subject to resolution of a number of conditions, including the approval of our board of directors and of our stockholders, but if it takes place, the Cerro enterprises, as then constituted, will also be engaged in the development and operation of properties for the production in the United States and Canada of iron ore primarily for the account of the major steel companies in the United States, Canada, Europe, and Japan.

It will also be responsible for the transportation of large tonnages of iron ore produced in the United States and Canada and coal produced in the United States under its supervision over railroads constructed and operated under its management, across docks which it owns or operates, and on the Great Lakes and the St. Lawrence Seaway through its ownership of a fleet of 23 lake vessels. It also will operate and manage certain coal mines in the United States, sell and distribute coal ordered by others in the United States, and transport some of this coal in the vessels already mentioned. It will also have a substantial interest in the large iron ore property presently under development in the island of Tasmania.

As an American company, it can realistically be said that our Peruvian production and, in the future, our Chilean and Australian productions represent the American enterprises overseas.

In summary, we can say we are both a foreign producer of raw materials, as well as a consumer of raw materials of domestic and foreign origin used in our domestic fabrication of metal products.

Position on S. 289: We are opposed to the drastic measures proposed by Senate bill 289. The economic interest of our 20,500 shareholders lies, on the one hand, in importing into the United States lead and zinc, both in the form of concentrates and particularly of metal, at prices competitive with the domestic industry and, on the other hand, in being able to manufacture metal products competitively.

Turning now to S. 289, I would like to say something about the authorship of this bill. Many of the members of this Senate may be under the impression that this bill is the handiwork of the small miners in this country. But it appears to be the handiwork principally of our able and friendly competitors—the owners of smelters located in the United States—whose interest centers in having metal in the form of concentrates come into this country for smelting in “bond” so that after smelting, the metal may be entered into the United States and the duty paid or reexported, without duty, if that should prove economically feasible.

As I understand the position of the domestic smelting industry, it argues that the enactment of this bill would serve as a warning to the world's foreign lead and zinc producers not to flood the U.S. market

in times of surplus production because the flooding would trigger off the quotas which would automatically restrict imports.

The argument then goes on to say that the Peruvian miners should not complain because as a result of the quota system drastic price reductions in the United States would be prevented; that is to say, higher prices would be maintained in the United States and, as a result, the higher U.S. prices for the Peruvian lead and zinc actually imported under the quotas would tend to offset the effect of the quotas. But they do admit Peru would be hurt.

A quantity of lead and zinc imports would be reserved under the bill, for ores and concentrates which will come into the United States in bond and will be released by the smelters into inventory whenever they wish to trigger off the quota.

The real sponsors of this bill—the U.S. smelting industry—act as the animals do in Ardrey's book "The Territorial Imperative," to preserve their pad free from as much foreign competition as possible.

Senator ANDERSON. Could I stop you there. You say, "the real sponsors of this bill." Have you examined who the real sponsors of the bill are?

Mr. KOENIG. We have a lot of rumors and sources of information.

Senator ANDERSON. Do you have the names of those?

Mr. KOENIG. I am sure the honorable Senator had assistance in the drafting of this bill.

Senator ANDERSON. I have found out that the more I use assistance, the better the bill is.

Mr. KOENIG. Yes. We all use assistance.

Now for a bit of history on the quota system which ended in 1965. As you know, the President of the United States in 1958 imposed a fixed quota on the importation of lead and zinc metal and concentrates from the period October 1958 to the fall of 1965.

This fixed quota was based upon the importations for a 5-year period 1953 to 1957. During this period Cerro supplied 100 percent of the lead and zinc metal imported from Peru and 100 percent of its share of the Peruvian lead and zinc imported in the form of concentrates. Some of you may have the impression that Peru is only a fair-weather friend; that is to say, that Peru seeks out the most advantageous market of the moment and makes shipment to that market.

This, however, is just not the case. At various times during the quota period of 1958 to 1965, prices on the European market were substantially more favorable than on the American market. Yet the full Peruvian quotas on zinc and lead metal and almost all of the quotas on lead and zinc contained in the concentrates was met.

Preamble of S. 289: Now let us turn to the quota proposed by S. 289, taking up the preamble of the bill to see whether it does, in fact, meet the hopes and aspirations of the Senators who introduced the bill.

The bill states that it is "to protect the domestic economy, to promote the general welfare, and to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources, and for other purposes."

The first portion of the preamble states that it is "to protect the domestic economy." As stated before, the domestic economy, as far as this bill is concerned, is primarily the domestic smelting industry and to some extent the small miners.

How does it protect the domestic economy?

Is it to protect the domestic economy against inflation? No. This bill, in its concept and in its content, is inflationary in the United States, because it seeks to maintain higher prices, and is deflationary in the undeveloped countries such as Peru and Chile. We all know how vigorously the Johnson administration has applied its energies and resources to control prices, lest there be runaway inflation. It has applied the enormous power of the Federal Government to roll back increases in prices of steel, aluminum, and copper which had been announced by industry leaders. The administration is still committed to this program in the interest of the Nation.

So how can it be said that this bill is protecting the domestic economy unless it be that the Senate is not in agreement with the President's efforts to control inflation?

If U.S. prices of lead and zinc are to be kept up artificially, the persons who pay the bill are the U.S. consumers. There is no voice in the consumer as there is the voice of the turtle that was heard through the land. Now, of course, gentlemen, I may have to eat these words because we now have in the administration a new and vocal representative of the consumer, Betty Furness, who may rally the consumer. But, meanwhile, it is hard to detect how the protection of production of lead and zinc prices in the United States is going to protect the domestic economy when it will hurt the consumer.

The next clause of the preamble is "to promote the general welfare" and the last clause is "and for other purposes." These clauses are treated together because they are so broad they can mean all things to all people and so cannot be considered to mean anything particular to anybody.

We must, therefore, consider the most specific statements of the preamble if we are to draw meaning and sustenance from it.

Let us take national defense. Now let us consider the remaining preamble as follows: "to assist in the national defense by providing for an adequate supply of lead and zinc for consumption in the United States from domestic and foreign sources."

How does this bill assist in the national defense? As we all know, more than 30 to 35 percent of the U.S. annual consumption of lead has come from foreign sources and the figure for zinc is 40 percent. The total importation of lead from Peru accounts for approximately 22 percent of the total importations of lead from all countries and approximately 14 percent of the total imports of zinc. Hence, Peru constitutes an important source to the United States of these commodities that are so vital for the war in Vietnam as well as for any future war we may have to fight.

Now I would like to say a word about our national stockpiles in lead and zinc and the impact that these may have on our national defense which somehow appears to the sponsors of S. 289. The fact of the matter is, that we now have in the stockpile enormous quantities of both lead and zinc. The most recent statistics from the American Mining Congress show that the lead stockpile on December 31, 1966, amounted to 1,128,300 tons and the zinc stockpile on December 31, 1966, amounted to 1,076,556 tons. Since these have been declared surplus, no part of these stockpiles are required for national defense in either a conventional or a Vietnam war. Thus, it cannot be said,

as stated in the preamble under consideration, that the bill is necessary to assist in national defense.

The release from the U.S. stockpile could have a dramatic effect upon the application of quotas since anything released from the stockpile will find its way into inventories and as soon as the inventories reach a certain figure then the quota system could be triggered off. In my view this bill has been proposed to create an automatic shock absorber for probable release of metal from the stockpile, but not because the defense needs of the country are not adequately protected.

Furthermore, in my view there is another shock which this shock absorber is supposed to take up. In the last few years there has been a significant increase in the development of lead mines in Missouri. The production from these mines is only now being felt for the first time but when completed by the year 1969, it will have the effect of almost doubling the U.S. lead production figures based on the year 1965.

So it isn't primarily the small marginal U.S. miners who want a policy on lead and zinc, but the large U.S. mining companies who, having developed new mines at vast cost, now want to get price protection at the expense of U.S. consumers and our Peruvian neighbors, to mention only one importing country.

In summary, the domestic smelting industry and the large domestic miners have proposed S. 289 in order to cushion the shocks which will be caused by the expected releases of lead and zinc from the national stockpile and, in the case of lead, by the doubling of domestic production. This is the true intent and major purpose of this bill.

The national defense needs no such protection.

Foreign aid and self-help: Now I would like to turn to the impact of this bill on foreign aid to underdeveloped nations, particularly Peru, which is the only major importer of lead and zinc from South America. I realize that the subject of foreign aid is not a popular one in the U.S. Senate and to some it represents the arrogance of power.

Nevertheless, like our less fortunate relatives, we are going to have them with us for years to come. The President of the United States is on this very day meeting at Punta del Este with the Chiefs of States of the Latin American countries in order to strengthen the Alliance for Progress, started in 1961 by the late President Kennedy. Since its inception, we have made a contribution to the Alliance for Progress of more than \$1 billion per year and the President only recently has come before the Congress to ask for an additional \$300 million a year.

We are thus committed, as a matter of national policy, to help Latin America to help itself. Both you and I, as taxpayers, would like to reduce our financial commitments to the Alliance; in fact, the Alliance contemplates that 90 percent of its needs must still come from its own domestic resources and that we will only supply 10 percent.

If we believe that the imbalance between the have and the have-not nations is one of the critical factors in the world today, then anything that the United States can do to increase the self-sufficiency of the have-not nations will mean that we may do so much less.

As part of the program to develop its own self-sufficiency, certain Latin American countries are improving their foreign investment climate. Chile, under the leadership of President Frei, has just concluded agreements with three U.S. copper companies, of which Cerro is one, which will have the effect of doubling Chilean copper produc-

tion in the next few years. When you consider that 65 percent of Chile's foreign exchange is earned by copper you can readily see that this increased production should make a dynamic contribution to its domestic economy and reduce the U.S. burden.

Now, I am happy that there are signs that Peru wants to do the same thing for its undeveloped deposits of lead and zinc and other metals. Since 1950, the foreign investment climate in Peru for mining companies has steadily deteriorated. There may not have been a flight of capital out of Peru but surely we know that there has not been a flight of capital into mining ventures in Peru in the last 15 years, with Southern Peru Copper Corp. as the only meaningful exception. Now, however, there is a proposal before Peruvian Congress, sponsored by Senator Noriega, one of your opposite number in Peru, which will endeavor to create a climate that hopefully will be as friendly to foreign capital as the new climate in Chile.

I mentioned the foreign investment climate because here again is an effort on the part of Peru and of Chile to help themselves and to carry out their commitments under the Alliance. If passed, this bill will impede the national policies of foreign countries which we are trying to make effective.

Thank you again for this opportunity to be heard.

Senator ANDERSON. Has your company any direct financial interest in this bill?

Mr. KOENIG. Well, direct financial interest insofar as we are producers of metal products including lead and zinc which go into international trade and some of those metals and concentrates are imported into the United States and we might be adversely affected if these quotas should ever be triggered off in the ability to import and sell in this country to the extent that we would be if there were no such bill.

Senator ANDERSON. Is Cerro the only producer of fine lead in Peru?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. So you have a financial interest in the matter.

Mr. KOENIG. There are many producers of concentrates in Peru but so far as elemental production goes, we are.

Senator JORDAN. Would you like to see a Western Hemisphere common market established for all commodities?

Mr. KOENIG. If that were feasible, Senator, it might make some sense. This question comes as a surprise to me and has considerable impact and I am not an economist by nature. I just try to be a miner, but I should think that the more common the market is and the larger the market is, the better it is for the economy of the world as a whole.

I realize, of course, that whenever anything like that happens, some enterprises will be benefited and some enterprises will be hurt, but that is the natural course of the economy of the world anyway.

Senator JORDAN. If your company was a wholly domestic corporation, would you feel the same way about it?

Mr. KOENIG. Senator, before I became associated with this company I was a coal miner. I started and built up a substantial coal mining company myself before I went back to the nonferrous metal business. We were always confronted with the importation of residual, liquid fuel from abroad and I was always and I have testified before committees of the Senate and the House in favor of free trade even at that time when I was a domestic producer of coal with no

foreign interests, in competition with foreign business. I have always believed that industry should stand on its own feet with regard to competition.

Senator JORDAN. You have answered with respect to coal. Is your answer the same in regard to lead and zinc?

Mr. KOENIG. If I were connected with a company that produced anything in the United States, lead or zinc or whatever, I would be ready and willing to stand on my own feet and invest my own money and the invested money of my shareholders in competition with anybody. That is what we are paid to do.

Senator JORDAN. Thank you.

Senator ANDERSON. Senator Allott.

Senator ALLOTT. With respect to your remark about Peru you say, "Yet the full Peruvian quotas on zinc and lead metal and almost all of the quotas on lead and zinc contained in concentrates was met." Was this because of long-term existing contracts?

Mr. KOENIG. No, sir. There are no such long-term existing contracts. You can enter into contracts for maybe a period of time, a year or year and a half, but generally speaking the contracts are not in excess of 1 year in length, so that there were no outstanding long-term contracts. This was a purely voluntary act on the part of the Peruvians.

Senator ALLOTT. I don't see that this puts any particular feathers in their bonnet. They have had a good customer. They have had a reasonably good price, and so the fact that they met these quotas and thought it was better to continue this than to jump around in the world market does not particularly put any stars in their crown as far as I am concerned.

Mr. KOENIG. Well, Senator, the point I was trying to make was that they were not opportunists and not taking advantage.

Senator ANDERSON. That is a bad word.

Mr. KOENIG. A dirty word; yes. That they were not playing it on an opportunistic basis, taking advantage of higher markets that existed because they did want to protect their good customer standing and maintain the customer relationship. That is good management. It shows they wanted to carry on the business in accordance with watching their manners, in other words.

Senator ALLOTT. Let me ask you a question. Since the establishment of the Alliance for Progress, has Peru carried on any land reforms that you know of?

Mr. KOENIG. Yes; I do know of that. The company which I happen to be engaged in has probably one of the largest sheep farms in the world. We have about 8,000 acres and 240,000 head of sheep and we are being reformed right, left, and center, and over the years we have lost already 25 percent of the area of these farms and this land has been divided up among the Indian communities. At the present time we are in most active discussion with Peruvian ministries and also with the President himself in respect to selling half of our total farm area for the agrarian reform business.

Senator ALLOTT. How much of the large landholdings have been broken up; what percentage in the last 5 years?

Mr. KOENIG. I could not say what percentage there has been but there has been considerable dividing up of the large landholdings, mostly up in the Sierra. The second largest holding in Peru, a farm that ran

about 160,000 head of sheep, has been completely broken up. It was purchased by the Peruvian Government and divided up.

Parenthetically I might say that this is not good for the economy because those lands that are so divided up are taken off the productive line of producing anything that can be exported. The farms are not as well run after they are divided up as they were before but we recognize the fact that this is a trend throughout Latin America and quite contrary to the trend in the United States, where farmers are tending to coalesce rather than being divided up.

We are going along with the move, and I should also like to state that we didn't buy these farms because we wanted to but because people made us buy them because of alleged smoke damage from our smelter. The fact that it is a heck of a good farm now would seem to indicate that perhaps this was a move that wasn't entirely warranted but anyway here we are the owner of the farm and so we are acutely conscious of this.

Senator ALLOTT. What tax reforms have been made in Peru during the past 5 years?

Mr. KOENIG. The tax reforms have been in the method of increasing taxes. I don't know whether that is reform or not.

The Peruvian income tax on industry now is somewhat higher than it is in the United States. It is now 48.65 percent, which is almost a percentage point higher than in the United States. The collection of taxes, of all taxes, has improved. The one area in which tax collection is noticeably bad in Peru and one which we squawk about is the collection of the income tax. Now, mind you, they collect the income tax from the big companies and from the employees of the big companies that have payrolls and IBM machines and all of those contraptions but the collection of income tax throughout the country is very deficient and we recognize it and some people in the Government recognize it but they haven't been sufficiently firm to really do something about it yet.

Senator ALLOTT. Who owns these mines?

Mr. KOENIG. These mines of ours or the other mines?

Senator ALLOTT. Are they owned by you?

Mr. KOENIG. As I have said, we have 20,500 shareholders, 98 percent of whom live in the United States.

Senator ALLOTT. Do you own the mines in Peru?

Mr. KOENIG. No; the mines, as in most countries of the world, are owned by the state and you get a perpetual concession from the state by staking the claim and then paying a nominal fee per unit of land per year to hold them, so that the possession of these mines is tantamount to ownership. It is on a concession basis as it is in many countries of the world.

Senator ALLOTT. I think that is all I have.

Senator ANDERSON. If stocks get overlarge in the United States, are domestic prices of lead and zinc likely to decline?

Mr. KOENIG. Yes; I should think so. Now, if the stocks are large, it is not the customer who picks up the telephone and says, "Give me 500 tons of lead and zinc." It is the producer or the smelter who picks up the telephone and says, "Won't you take 200 tons of lead and zinc from me?" The supply and demand picture changes.

Senator ANDERSON. If prices do decline, what will be the effect of such a price decline on Peruvian producers who sell to the United States?

Mr. KOENIG. I suppose there will be a reduction in production. Some of the marginal mines will go out of business just as they do in other parts of world. I see nothing wrong with that.

Senator ANDERSON. You are absolutely opposed to this legislation?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. Are you absolutely opposed to the farm program subsidies?

Mr. KOENIG. I know absolutely nothing about farming, Senator Anderson. I will take No. 5 on that one if I can.

Senator ANDERSON. I congratulate you. Thank you very much.

Mr. KOENIG. Thank you.

Senator ANDERSON. Mr. Steinberg? Will you identify yourself.

#### STATEMENT OF DAVID J. STEINBERG, COMMITTEE FOR A NATIONAL TRADE POLICY, INC.

Mr. STEINBERG. Mr. Chairman, Senator Jordan, I am David J. Steinberg, secretary and chief economist of the Committee for a National Trade Policy, Inc.

Senator ANDERSON. Proceed.

Mr. STEINBERG. We appear here today, Mr. Chairman, in opposition to Senate bill 289. We do not appear on behalf of any business interest in any way connected with the lead-zinc industry or any other business enterprise. Our views are never intended, and are not intended in this testimony, to reflect the special interests of any of our supporters.

Our committee is a business-directed and primarily business-supported organization, its backing entirely American in origin, established to promote U.S. foreign-trade policies and practices that, in our view, serve the total national interest.

We believe that, with respect to this country's trade relations with the rest of the world, the enlightened self-interest of the United States is best served by a sustained lowering of trade barriers on a multi-lateral basis.

The proposed establishing of quota controls in the event of certain conditions in the market for lead and zinc is intended as protection against the kind of imbalance of supply and demand that caused the industry considerable difficulty a decade ago, leading to the escape-clause import quotas established in 1958. Proponents of the proposal say it is "simple, fair to producer, consumer, and importer alike and would only be in effect when necessary to stabilize the supply-consumption ratio at proper levels."

Our objections may be summarized as follows:

1. The proposal would invoke import restrictions as a kind of faucet to be turned down or up, depending on the level of lead-zinc inventories in the domestic market. In other words, import restrictions would be triggered by imperatives of arithmetic, not by imperatives of the national interest. Nor would the proposed government attention to difficulties in the industry be geared to an objective finding of injury in the industry in general or to the special problems of individual producers or groups of workers.

2. Stability in the relation between supply and consumption would be sought at the expense of stability and consistency in trade policy. Deviations from a sustained and consistent policy of freer international trade are justifiable only as indispensable, emergency measures of last resort to buy time for well-designed adjustment efforts to take effect, and if otherwise consistent with the overall national interest. No such standard is evident in the proposal before your committee.

3. The proposal may be "fair to producer," as its proponents say, though only in short-run terms in view of its harmful effects on overall trade policy and hence on the overall economy, which is affected favorably by sound trade policies promoting the national interest and unfavorably by trade policies seriously compromised by measures geared to the parochial interests of individual sectors of the national economy. And if it is fair to the lead-zinc producer, it seems to us unfair to producers in other American industries who, themselves, might like comparable treatment but not be able to get it because of inadequate political support and because of the shambles such measures would make of national trade policy. In this connection, Mr. Chairman, another "Orderly Marketing Act" has been introduced in this Congress, a proposal whose concept of "orderly" is just as deficient as are the concepts of "fairness" and "stability" in the lead-zinc bill.

4. In view of the uncertainties which any quota system creates for those who import the particular product (there tends to be a scramble to avoid being shut out unexpectedly by completion of the quota), such a proposal cannot properly be regarded as "fair" to importer and consumer. It also interferes with the flexibility that is so essential to a soundly operated free enterprise system—in this case, flexibility in obtaining supplies from whatever sources adequately meet the user's needs.

5. Reflecting in important measure a substantial downturn in domestic demand, imposing the proposed quotas would be tantamount to a deliberate attempt by the U.S. Government to export recession. These restrictions would have harmful effects on the international purchasing power of other producing countries and consequently on exports of American goods to those markets, including goods in which lead and zinc are used. The special export factor provided for in the bill (permitting ex-quota imports of lead and zinc commensurate with the quantities of these metals contained in exported goods and on which duties are refunded) does not, in our view, substantially offset this, because the additional lead-zinc imports allowed would probably not produce dependable improvement in the foreign-exchange prospects of these countries. The prospects for U.S. exports would also be reduced by the directly retaliatory import restrictions to which these countries would be entitled to resort—under the rules of the General Agreement on Tariffs and Trade for those who belong and otherwise for those who do not.

6. The bill would also tend to affect adversely the climate for international cooperation on lead and zinc matters, provided by the international lead-zinc study group.

Recent investment and other decisions in the lead-zinc industry have, we trust, been closely conditioned by the experience of the late 1950's and reflect realistic reactions to the changing patterns of world supply and demand of more recent years. Producers whose decisions have been soundly based on realistic criteria, and who have not over-

reacted to the strong market conditions of recent years, have strengthened their competitive positions and may be expected to endure effectively such market declines as may reasonably be expected to occur.

More serious problems incurred by other producers should be dealt with by domestic economic measures if the national interest warrants such Government assistance. But these problems should not be allowed to back up onto the Nation's foreign-trade policy, impairing our progress toward freer world trade.

In any event, the situation of the late 1960's is not like that of the late 1950's, when the large excess of lead and zinc supplies over requirements reflected not only substantially reduced industrial consumption but also the Government's abrupt termination of its stockpile programs (the strategic stockpile, and acquisitions for the supplemental stockpile in exchange for surplus agricultural commodities) following a period when the Government was stimulating production in this country and abroad.

No such contingency confronts us now, and we hope that adequate adjustment measures will accompany the termination of any future programs to stimulate minerals production.

In discontinuing the escape-clause quota controls on lead and zinc imports in late 1965, the President instructed the Tariff Commission to keep the effect of this action under review and to be prepared to certify quickly for adjustment assistance those firms or workers who qualify.

Since the Tariff Commission's role is analytical, not program oriented, we believe the Interior Department should also follow developments in the lead-zinc industry and also developments in the market for these metals and be prepared with remedial proposals it may from time to time consider necessary in the national interest. We assume the Department is alert to such a responsibility on its own initiative.

In conclusion, Mr. Chairman, we believe that the lead-zinc industry should consult very closely with the Interior Department, both the industry and the Department making every effort to insure a sound, a healthy, a strong lead-zinc industry consistent with the highest principles of the free enterprise system and of freer international trade. That completes my formal statement, Mr. Chairman.

Senator ANDERSON. On page 3 you say :

And if it is fair to the lead-zinc producer, it is unfair to producers in other American industries who might like comparable treatment but not be able to get it.

Can't you visualize the possibility that one policy might be restricted to a single industry and not completely upset the whole balance? We had the Tariff Department talking one day about bicycles. I couldn't care less because I have passed the age where I ride a bicycle. We didn't hurt anything, I don't believe. Isn't it possible to pass legislation without destroying somebody else?

Mr. STEINBERG. I am not talking about destroying somebody else, sir, if I understood your words.

Senator ANDERSON. You say it is unfair?

Mr. STEINBERG. Yes.

Senator ANDERSON. We passed the Small Producers Lead-Zinc Act some time ago. Were we unfair to the large producer?

Mr. STEINBERG. I am talking in trade policy terms, sir, and that is the only area for the purpose of this hearing for which I profess some considerable competence.

Senator ANDERSON. Senator Jordan.

Senator JORDAN. Mr. Steinberg, pursuing that a little further, if our trade policy toward a freer world trade resulted in a price for lead and zinc so low that domestic producers were forced to abandon their mines and close them down, do you think this would be a good national policy situation?

Mr. STEINBERG. No, sir. I don't think that national policy would be sound policy if it adopted a cavalier view regarding the effect of freer international trade on particular sectors of the national economy.

Senator JORDAN. You wouldn't like to see us wholly dependent on foreigners for our lead and zinc supplies for domestic use?

Mr. STEINBERG. No, sir. As far ahead as I can foresee, I think that a strong, a healthy lead-zinc industry is important to the national interest. But I believe, sir, that there are sound ways of insuring such strength and there are unsound ways and I don't regard using trade policy vehicles to restrict competition as a sound way to build real health in this industry or any other industry.

Senator JORDAN. Well, you have put the question right in my mouth. What would a sound policy be, then? If this is an unsound policy in your opinion, what, then, is a sound policy?

Mr. STEINBERG. Sir, I sincerely wish that I knew more about the lead-zinc industry than I do, so that I might make specific recommendations for that purpose. This is not my area.

Senator ANDERSON. But you are testifying right now on it.

Mr. STEINBERG. Sir, I am testifying as a person who claims some competence in the field of foreign trade policy. I daresay that there are others who have testified before me who may be, and I assume are, very competent on lead-zinc matters but who did not indicate much competence in the area of foreign trade policy. Each of us has a certain area of our special competence. It seems to me that, although I am not able to outline for you specific proposals for a sound lead-zinc policy, and this is too important a matter for anybody to sit here and outline in detail what he would regard as a sound minerals policy, however competent he may be, unless he has thoroughly studied the particular industry. I do think that there are certain policy criteria which ought to be guidelines for sound planning in minerals policy or any other national policy with respect to a particular industry, and one of those criteria, a very important premise, ought to be that there will be no artificial barriers imposed against imports of that product other than barriers designed to cope with predatory dumping, a completely different matter.

But planners in the industry, those who make decisions in the industry regarding investment, if I may use the word "planners," and those in Government who believe it is important for Government to cooperate with industry and help industry adjust to the challenges of change, have to have certain premises, certain guidelines.

If on the one hand you assume that there will be no imports of lead and zinc, then the decisions that you make are of one kind. If you assume, at the other extreme, that there will be no restrictions at all against imports of lead and zinc, not even tariffs, then you make decisions of a different kind and it is the latter kind of decisions, I think,

that are most conducive to building real economic strength in the country as a whole and also in this industry.

Senator JORDAN. Thank you.

Senator ANDERSON. Do you favor any kind of a tariff? You are suggesting the very widest latitude of trading. Would you abolish tariffs?

Mr. STEINBERG. I believe, sir, that tariffs ought to be abolished on a multilateral, reciprocal basis. Yes, I do, and that every effort must be made to that end. And I think the result will be highly beneficial, much to the surprise of people who oppose what I am saying. There will be successful adjustment to that kind of contingency. I have confidence, Mr. Chairman and Senator Jordan, in the American economy and in the free enterprise system and its ability to adjust to any kind of challenge from whatever quarter.

Senator ANDERSON. Thank you very much.

Mr. Fletcher.

May I inquire of our witnesses here who have serious time limitations on their airplane tickets to return home, is there anybody here who has to leave soon?

Go ahead, Mr. Fletcher. You are representing the Australian mining industry.

#### STATEMENT OF AUBREY FLETCHER, EXECUTIVE VICE PRESIDENT, C. TENNANT, SONS & CO.; ALSO REPRESENTING AUSTRALIAN MINING INDUSTRY

Mr. FLETCHER. That is the second statement I wish to present, Senator. The first one is in behalf of my own company.

Senator ANDERSON. What is your own company?

Mr. FLETCHER. That is part of my brief. Do you wish me to start it? It is C. Tennant, Sons & Co. I would be glad to proceed if you want me to, sir.

Senator ANDERSON. Go ahead.

Mr. FLETCHER. My name is Aubrey Fletcher. I am executive vice president of C. Tennant, Sons & Co., of New York, and I am pleased to have this privilege of appearing before you to present our views on S. 289, the proposed Lead and Zinc Act of 1967. C. Tennant, Sons & Co., of New York, is an American corporation with headquarters in New York City. As merchants engaged in foreign commerce for more than a century, and in the trade of nonferrous metal and ores for nearly 50 years, we wish to submit this statement registering our opposition to S. 289.

#### 1. HISTORICAL BACKGROUND

Over the past 15 years or so a great number of hearings have been held, some before the Tariff Commission and others before committees of Congress, in order to study various proposals designed to provide added protection for the domestic lead-zinc industry. Most of these protection schemes were sponsored by the Emergency Lead-Zinc Committee and its successor, the Lead-Zinc Producers Committee, who now favor passage of S. 289.

During the past decade, the domestic producers have repeatedly appeared before Government agencies with grim forebodings of doom and forecasting imminent disaster for the U.S. lead-zinc industry un-

less drastic measures were taken to alleviate their problems. Nevertheless, in recent years, the industry has enjoyed an era of unprecedented prosperity and record earnings, without the benefit of Government intervention and despite their repeated earlier forecasts of calamity.

Although there are already quite substantial duties on lead and zinc imports into the United States, the domestic producers have sought even greater protection, based upon arguments that have generally been proved wrong with the passage of time. For example, in a statement to the Tariff Commission dated November 19, 1957, in support of even higher duties, the St. Joseph Lead Co. stated that "for St. Joe to provide for orderly progression and continuation of its mining and smelting business, it would be necessary to obtain the 'peril point' prices of 14.50 cents for zinc and 17 cents for lead."

It is worthy of note that these were referred to as "peril point" levels and that testimony before the Tariff Commission at the time made it clear that most of the domestic mining industry agreed with St. Joe that these were the minimum prices they needed in order to survive. As it happens, St. Joe's combined peril point level of 31.5 cents never has been achieved since 1957, but St. Joe and the domestic industry has survived and has, in fact, made record profits in the past 3 years at prices below these levels.

In January 1960 the Emergency Lead-Zinc Committee appeared before the Tariff Commission and sought Government approval for a complex duty and/or quota formula, the stated objective of which was to insure a minimum combined price for lead and zinc of 29 cents per pound. Here again, it was claimed this was the minimum level necessary for the industry to survive.

However, subsequent events have shown that such a combined price level does, in fact, provide most of our major domestic lead-zinc producers with alltime record earnings, as their own 1966 annual reports will testify.

The Tariff Commission, the Congress, and the administration have been asked many times in the past for Government assistance to assure minimum price levels for lead and zinc substantially higher than the present profitable levels. As a result, in 1958 a system of import quotas was imposed by the administration in the hope that they would provide the industry with the protection they were seeking, but after 7 years they were removed, having failed their objective.

The Tariff Commission, which has studied the lead-zinc situation exhaustively over the past 14 or 15 years, has expressed itself fully and unequivocally on the unsuitability of import quotas as a means of protecting the domestic lead-zinc industry.

The Commission first expressed an adverse opinion on lead and zinc quotas 13 years ago in its report to the President of May 1954 (p. 30). Subsequently, Commissioners Sutton, Jones, and Dowling devoted 31 pages in the Commission's report of April 1958 to a thorough and explicit statement of their findings, which constitute an excellent summation of the reasons why quotas would be undesirable and harmful to the U.S. lead-zinc industry.

At that time the Commissioners stated (p. 85 of their report):

We reject quotas as a feasible remedy in this instance.

And in the next paragraph they go on to state that in their opinion "the imposition of quotas would be definitely harmful to the best interests of domestic lead and zinc producers."

In their report to the Congress dated March 1960 (p. 159), and made pursuant to Senate Resolution 162 of the 86th Congress, the Tariff Commission again expressed their objections to quotas and commented that "Import quotas are prejudicial to the establishment of domestic lead and zinc mining operations on a sound and, more particularly, stable basis."

In a later report to Congress in May 1962 (p. 48) and made pursuant to Senate Resolution 206 of the 87th Congress, after some 3½ years of operation under the then-existing quotas, the Tariff Commission concluded "that import quotas had not proved to be a satisfactory means of curtailing imports of lead and zinc."

A substantial portion of the domestic lead-zinc industry itself has supported the Tariff Commission in these views. In a petition dated November 24, 1959, six domestic lead and zinc smelters requested a review of the escape clause action on lead and zinc. They generally took the position that import quotas were not a suitable means of protection for the industry and that "the maintenance of quotas which arbitrarily limit supplies may prove a dangerous course to follow." (P. 4 of the petition.)

In that same petition these six smelters went on to state:

In the case of lead, as in zinc, the only solution to the worldwide problem of surplus production satisfactory to producers of lead and zinc is increased consumption. Absolute quotas are designed to produce shortages of sufficient magnitude to exert upward pressure on price. But shortages can develop with surprising suddenness and embarrass consumers. Quotas impede consumption and encourage the use of substitute materials for they create in the mind of the consumer the suspicion that under certain circumstances he may not be able to secure adequate supplies. Critical shortages can occur when supplies are exhausted due to a surge in demand or when they are cut off by strikes.

While these remarks were made about the specific quotas then in existence, the criticism is equally applicable to the quotas proposed under S. 289.

The weight of all evidence and opinion over the years has been consistently and overwhelmingly against import quotas. To quote the Tariff Commission on this subject, one final time:

Although the domestic lead and zinc industry may suggest domestic *hara-kiri* as a way out of their difficulties, the Government should not knowingly become an accomplice to such an end. (Report to the President of April 1958, p. 89)

It would appear that apart from a tendency toward "*hara-kiri*," the domestic industry has been crying "wolf" in Washington for more than a decade and has now reached the unusual stage of seeking drastic protective legislation at a time when their earnings are at an alltime high.

## 2. CONSUMER REACTIONS

The constant trek to Washington in search of protective legislation coupled with forecasts of imminent catastrophe is, in our view, most unfortunate and misguided on the part of an industry which is faced with acute competition from aggressive sellers of substitute materials, such as aluminum and plastics. At a time when the lead-zinc industry should be aggressively engaged in sales promotion and improving its customer relations, it is going out of its way to antagonize and alienate them with bills such as this.

We understand that the American Die-Casters Association, speaking for a major segment of the zinc consuming industry, and the Asso-

ciation of American Battery Manufacturers, representing 35 percent of the lead consumption in this country, have gone to the trouble of making their objections to S. 289 known directly to your committee, so we will not attempt to speak for them here.

I would like to interject at this point that since the brief was prepared I have learned that the tetraethyl manufacturers of the United States—three of them representing a further 19 percent of the lead consumption in this country—have also submitted a brief in protest against this bill, which means that companies representing a total of 54 percent of U.S. lead consumption have filed with this committee objections to this bill.

Surely, therefore, it cannot be wise for any seller to antagonize his customers until they reach the point of outraged public protest, as the domestic lead-zinc producers are doing to their customers.

Senator ANDERSON. Will you wait just a second? Do you believe the American battery manufacturers do represent 35 percent of the lead users in this country?

Mr. FLETCHER. The Association of American Battery Manufacturers represent 35 percent of the lead consumed in the United States.

Senator ANDERSON. Your words are "of the lead consumption in this country."

Mr. FLETCHER. Yes, sir. I mean that. I prefer to let them speak for themselves. They have a brief on file with your committee and in fact the gentleman concerned is in the room at the moment, but I am quoting what I understand to be their statement.

Senator ANDERSON. What you understand to be their statement?

Mr. FLETCHER. Yes, sir.

### 3. FINANCIAL CONDITION OF THE INDUSTRY

It is difficult to reconcile the picture of a moribund industry, desperately in need of Government support, with the statements appearing in the latest annual reports of some of our major domestic lead-zinc producers. We quote some example for the record as follows:

St. Joseph Lead Co. (annual report, 1966):

(a) The new Fletcher mine designed to add 60,000 tons of lead equivalent annually to St. Joe's output is believed to be among the most efficient in the world.

(b) The year 1967 finds both ore reserves and financial resources at excellent levels.

Over the period 1958-66 St. Joe's net income increased from \$4 to \$22.7 million per year and their dividend increased over 250 percent from \$1 to \$2.65 per share.

American Zinc Co. (annual report, 1966):

The company's sales rose from \$6.6 million in 1930 to nearly \$60 million in 1964.

The 1966 sales increased still further to \$65 million.

Over the period 1958-66 American Zinc's net income increased from \$806,000 to over \$3 million and their dividend increased from 59 cents to \$2.30 per share. In addition, the company's capital outlays in 1966 for property addition and improvement reached \$10.3 million—an all-time high.

New Jersey Zinc Co.: In 1966 control of this company was acquired by Gulf & Western, an aggregate and diversified growth organization. Gulf & Western's interest in making this acquisition would not seem

to support the view that domestic zinc production is an unprofitable business and, in fact, Gulf & Western have generally made it plain that they consider New Jersey Zinc a valuable acquisition, with considerable future earnings potential for their company.

Senator ANDERSON. Do you feel that the committee desires to have all of these companies solvent?

Mr. FLETCHER. I am sorry, sir. I couldn't quite hear you.

Senator ANDERSON. You are quoting what Gulf & Western apparently thought in acquiring New Jersey Zinc. We have been told by some people that we might introduce the bill now so that if a time of disaster comes we will have it on the books.

Mr. FLETCHER. I understand that, sir. I am interested in getting on the record the fact that these are strong financial corporations, as I think they are, sir.

Senator ANDERSON. Go ahead.

Mr. FLETCHER. Thank you.

Bunker Hill Co.: The president recently stated that in 1966 sales were at an alltime high and net earnings per share were the highest in 16 years. He also reported that the company was engaged in the largest expansion program they have ever undertaken. Over the period 1966-68 almost \$27 million will be spent for expansion and modernization projects.

American Smelting & Refining Co. (annual report, 1966): Over the period 1958-66 Asarco's net earnings increased from \$17.2 to \$69.2 million and their net earnings per share increased from \$1.27 to \$6.34. Their capital expenditure in 1966 came to \$36 million and they expect to increase this to about \$40 million in 1967. One of the principal items in this capital expenditure is a new lead smelter and refinery in Missouri.

These companies control by far the greater majority of U.S. domestic lead-zinc production and in view of their robust economic situation, as evidenced from their own annual reports, it is difficult to understand why they are seeking help from Washington, when they are clearly doing very well indeed without it.

#### 4. OBJECTIVES OF S. 289

The precise objective of S. 289 is not clear to us. Apart from the general indication that its purpose is "to protect the domestic economy and promote the general welfare," the only other stated purpose is that the bill is intended "to assist in the national defense."

There are, however, well over 1 million tons each of lead and zinc in the national stockpiles and the OEP has declared all this tonnage as surplus, having fixed the national defense requirement as zero for stockpile purposes. Furthermore, two of the world's major producers, Canada and Mexico, are our neighbor countries with rail supply lines to this country.

Although the bill does not say so, its sponsorship would lead one to expect that its prime purpose is to assist the domestic mining industry. However, as the bill is now written, it is difficult to understand how it can be of much help to miners. The wording of title I, section 101 (d), and title II, section 201 (d), defining the term "imported into the United States," means that, whereas the bill gives the appearance of imposing import quotas on metal and concentrates alike, it really does

not do so in practice, and practical implementation of the concentrate quotas is left in the hands of the smelters.

Most domestic smelters are bonded and under S. 289 they could continue importing concentrates in bond, in excess of the quota limitations; they could, if they wished, process these concentrates into metal and they could also deliver some of the metal to the market.

This means that there is at best only a qualified limitation of imports of concentrate and ore under this bill so that it is difficult to see what benefit it would confer upon the independent miners. In fact, the contrary is likely to hold true. The provisions of this bill are such as to place a potentially useful mechanism in the hands of the domestic smelters to bring down the price of foreign concentrates so that these become cheaper and, therefore, more attractive than domestic concentrates, which can only lead, in time, to higher treatment charges and lower prices for the independent domestic mines as well.

The major importers are, in fact, the U.S. domestic smelters themselves, particularly the zinc smelters, who imported over 520,000 short tons of metal contained in concentrates in 1966. Here again, S. 289 clearly intends to try and help, not the mines, but the smelters who wish to maintain a high rate of imports since it fixes minimum import quotas on (a) zinc concentrates at 104,000 tons per quarter, or 416,000 tons per year; and (b) lead concentrates at 30,000 tons per quarter, or 120,000 tons per year. Both these minimum quotas are roughly at the level at which the smelters have been importing over the past 3 or 4 years. That is an average figure over the 3 or 4 years.

The purpose of the bill would, therefore, appear to be, not so much to help the miners nor to effect an overall limitation of imports, but to reduce the consumers' share of the imports by increasing the smelter's share, and thereby insuring that the smelter gets the benefit of any financial savings on imports, instead of letting the consumers get these benefits.

#### 5. OBJECTIONS TO S. 289

There is no reason to believe that, in practice, S. 289 would work any better than the import quotas established in 1958 and we object to it for the following reasons:

(a) As the earlier quotas conclusively proved, it is simply not possible to insulate the U.S. market from the outside world market because the United States inevitably depends on import for part of its lead and zinc requirements. In fact, the effectiveness of quotas is demonstrated by the fact that in 1962, 3 years after the previous quota system was imposed, the lead price in the United States sank to 9.5 cents, its lowest level in 15 years.

(b) The quotas under this bill would be imposed or removed, not at the decision of the Government, or some impartial agency, but by the domestic smelters themselves, who alone can control the disposition and levels of their stocks. This means the domestic smelters, whose stocks only represent part of total market stocks, themselves would have the power to decide when the metal quotas should come on and when they should come off, as well as having the power to manipulate the concentrate quotas. This seems to us a new and dangerous precedent to establish in international trade matters and we consider it to be one of the most objectionable aspects of this bill.

(c) The bill provides for constantly diminishing quotas by virtue of the fact that imports each quarter are limited to 80 percent of the previous 10 quarters. Given enough time, the constant attribution of the quotas by always taking 80 percent of the previous 80 percent would mean that the quotas could be reduced to insignificant tonnages.

(d) This form of quotas discriminates against those overseas suppliers who are geographically located farthest away. Tonnage which is eligible for entry at the time a steamer booking is made may be excluded by the time it arrives at the U.S. port, if a long sea voyage is involved, whereas other shippers located close to the United States would suffer no such disadvantage.

(e) At present foreign metal is shipped to the United States purely for market considerations and it is not likely to be shipped here if it cannot be sold. S. 289 will encourage foreign producers to increase their shipments here whether salable or not, and, if necessary, to put large unsold stocks in warehouse, in order to—

(1) increase their quota base before the import quotas become effective, and

(2) get a good supply of metal in behind the quota wall before it becomes effective.

Such actions can only create instability in the domestic market, instead of stability.

(f) The proposed quotas would involve extremely severe reductions for both lead and zinc metal imports. Under the formulas proposed, we estimate that lead metal imports could be reduced to less than 50 percent of the 1966 levels and zinc metal imports could be reduced to less than 45 percent of the 1966 levels. In fact, the level of the metal quotas under S. 289 would probably be much less than the metals quotas which existed from 1958 to 1965 (which were themselves a reduction from the 1953-58 level of imports), although U.S. consumption has greatly increased since that time.

Furthermore, very few countries would have their own quotas under this bill. In the case of zinc metal, for example, only one country would be likely to have its own quota, and in the case of zinc concentrates, only two countries presently appear eligible for a quota of their own. In the case of lead concentrates, only three countries may be eligible. This denial of individual country quotas is also more restrictive than the 1958-65 quotas and could well generate even greater difficulties.

To enact such restrictive and reduced quotas would be, in our view, a backward and most punitive step, for U.S. consumers as well as for overseas shippers.

(g) An acute problem would arise in trying to implement long-term contracts under such a restrictive quota scheme. A domestic consumer buying foreign metal would never know in advance how much material they could count on receiving from their foreign suppliers. Since the U.S. domestic mines cannot supply this country's total requirements, many of our domestic consumers must depend to a large extent on imports which they frequently purchase under long-term contracts. The uncertainty such quotas would cause with respect to the future import supplies would make it very difficult for them to run their business in an efficient manner. We can think of nothing more likely to discourage consumers from using lead and zinc.

## 6. CONCLUSIONS

Lead and zinc are international commodities in which prices are governed by a worldwide law of supply and demand and unless a country is virtually independent of outside markets, it cannot permanently insulate itself from outside influences by quotas, duties, or by any other artificial means.

Since the United States depends on imports as a matter of necessity for a substantial portion of its needs of lead and zinc, it follows that prices in this country are bound to be affected by outside world prices. To try to legislate against the law of supply and demand or to attempt to support the domestic mining industry by governmental restrictions on a long-term basis, is futile and self-defeating, and the record of the past 20 years clearly demonstrates this.

We believe that the long-term interest of the domestic lead-zinc industry would be better served if the U.S. Government were to desist altogether from any further interventions of this sort in the market. A considerable amount of time and energy has been expended on this subject in Washington by industry executives and representatives over the past 15 years. An equivalent amount of time and effort devoted to the more constructive purpose of improving customer relations, developing new markets, and expanding the industry research program might produce more worthwhile results and enable the domestic industry to continue standing on its own feet without seeking artificial Government support.

May I thank you, sir, for giving me the opportunity of presenting these views.

Senator ANDERSON. What is the wool situation in Australia? Has the Australian industry shipped any wool to the United States?

Mr. FLETCHER. I imagine Australia ships wool here, Senator. I really don't know. I am not in the wool business.

Senator ANDERSON. You really don't know; all right. I think it has, and I think the American Government has had some policies to protect Australian wool if it gets to be sticky on the market, and I think the situation sort of refutes what might happen to this. I am not sure. Senator Jordan.

Senator JORDAN. I have no questions. Thank you.

Senator ANDERSON. We will recess and resume at 2:30.

(Whereupon, at 12:55 p.m., the subcommittee recessed, to reconvene at 2:30 p.m. the same day.)

## AFTERNOON SESSION

Senator Moss. The hearing will come to order. Senator Anderson hopes to be able to return later. I will fill in as chairman until that time.

Mr. Aubrey Fletcher, I understand, came wearing two hats. We have had his appearance, in part, but he will continue as a representative of the Australian mining industry.

We will be glad to hear from you now, Mr. Fletcher. You may proceed as you see fit, sir.

## STATEMENT OF AUBREY FLETCHER, REPRESENTING THE AUSTRALIAN MINING INDUSTRY

Mr. FLETCHER. Thank you, sir. Shall I go ahead, sir?

Senator MOSS. Yes, you may go ahead, Mr. Fletcher, please.

Mr. FLETCHER. Thank you.

My name is Aubrey Fletcher. I am executive vice president of C. Tennant Sons & Co., of New York, and I greatly appreciate the opportunity to appear before you on this occasion, to present a statement on behalf of the Australian lead-zinc mining and primary smelting industry, the purpose of which is respectfully to protest against the provisions of S. 289, the "Lead and Zinc Act of 1967."

The Australian Lead-Zinc Industry Group collectively making this submission consist of the following eight companies:

The Broken Hill Associated Smelters Pty., Ltd.  
Broken Hill South, Ltd.  
Electrolytic Zinc Co. of Australasia Ltd.  
Mt. Isa Mines, Ltd.  
New Broken Hill Consolidated, Ltd.  
North Broken Hill, Ltd.  
Sulphide Corp., Ltd.  
Zinc Corp., Ltd.

The group of companies covers the whole of the Australian lead and zinc mining and primary smelting industry and they have a most real interest, either directly or indirectly, in the large U.S. economy as a market for a proportion of their normal output of lead and zinc.

Australia is one of the world's largest producers and exporters of lead and zinc. The following table sets out the Australian production figures for 1963-1965:

[In thousands of short tons]

	1963	1964	1965	1966
Mine lead.....	447.1	413.3	397.8	395.2
Refined lead.....	266.9	246.1	243.5	240.6
Mine zinc.....	354.2	351.1	359.8	377.1
Refined zinc.....	201.3	207.7	222.9	217.6

Source: Monthly bulletin: *International Lead and Zinc Study Group, 1967 vol. VIII, No. 3* converted from metric tons.

The mine production figures relate to metal in concentrates and the difference between them and the refined metal figures indicates the extent of concentrate exports.

The Lead and Zinc Act of 1967, S. 289, proposes that quota import controls may be imposed in certain circumstances, or, having been imposed, may be lifted or modified if these circumstances alter.

For the following reasons the Australian Lead-Zinc Industry Group is completely opposed to the reimposition of quota controls of imports to the U.S. lead-zinc market:

(1) Quota controls will seriously affect normal world trading and the world prices of lead and zinc.

The United States has historically relied upon foreign suppliers for a very large portion of its consumption. Over the last 8 years the measure of this reliance has been, for lead, in excess of 30 percent and for zinc, in excess of 40 percent.

If, by the imposition of quota controls, the U.S. expansion in the production of these metals presently being undertaken, is to be isolated and protected from the normal influences of price adjustments determining the level of supply and demand, the existing "rest of free world" supplies thereby diverted suddenly from the U.S. market are likely to cause violent movement to prices outside the United States and chaotic conditions in the world markets.

It is generally accepted that the U.S. internal prices for lead and zinc can never be completely free from the influences of variations in the world prices outside the United States and any sharp decline in prices outside the United States inevitably will affect prices inside the United States. The international nature of the lead-zinc market is well illustrated by the concluding remarks of Mr. A. O. Wolff, made in a paper titled "Free World Lead and Zinc Demand—Present and Forecast" presented to the joint session of the Lead Industries Association and American Zinc Institute in Chicago on April 28, 1965:

There is really no such thing as an isolated lead or zinc market any more. National demands cannot be segregated from like demands in other countries. Metal consumptions in Greece, or South Africa, or Japan, are dependent upon technologies of the United Kingdom, or France, or Australia. The prosperity of the total lead-zinc industry of the United States, equally as well as that of Peru, depends upon what is happening in the rest of the world.

There does appear, therefore, to be a real danger that the proposed controls will accentuate, certainly outside the United States, and probably also within, the instability in prices which it is presumably their purpose to diminish.

(2) The purposes of S. 289 are inconsistent with the objectives of GATT.

GATT's aim is to facilitate rather than to hinder the flow of international trade, and recognizes devices such as quotas as undesirable, except to afford temporary protection in the establishment of new industry. It is known that some new and rich lead-zinc fields are coming into production in the United States in the near future, but it is difficult to accept that the investment decisions associated with these ventures have been made on the basis of their requiring protection within the terms of GATT escape clauses. It is submitted, therefore, that the wider aims of GATT should not be discarded. The imposition of quota controls also appears contrary to the spirit of the Kennedy round presently being negotiated by the contracting parties of GATT and must adversely affect the possibilities of a successful conclusion to these proposals.

(3) Previous experience of quota restrictions on lead and zinc provides proof that such devices unnecessarily and harmfully distort trading in these metals.

The U.S. Tariff Commission has, in the past, expressed views to the above effect and, in a report to Congress in May 1962 (p. 48) it stated:

That the quotas were discriminatory in their effects, favouring some concerns while creating unusual difficulties for others and that they seriously interfered with normal trade relations.

This statement is substantiated by the experience of Australian zinc under the previous quota arrangement. Australian zinc was not given

a quota of its own, with the result that commercial imports of Australian zinc were unpredictably and drastically curtailed.

The present quota proposals would perpetuate and exaggerate this type of discrimination.

(4) Short-term fluctuations in quotas calculated in accordance with the proposed short-term periods of import entitlement must tend to be unequal to their effect on different suppliers.

Such variations would be particularly unsettling to those producers located geographically furthest from the United States. The long freight haul from Australia would mean that for much of the time the Australian producer would not know if quotas were applicable and, if so, what his U.S. quota would be at the time of arrival. A shipment made to the United States to take advantage of the removal of quota control might find that the quota had been reapplied again by the time the carrying vessel had arrived.

The quota concept ignores the necessity of continuing relationships between supplier and customer—such a relationship has, since 1948, been a mutually satisfying feature of Australian-United States trade in these metals.

(5) Domestic mines unable to meet competition at current prices and with present tariff protection should, if necessary, be cared for in some other manner.

Not only are the current prices of these metals at a comparatively high level, but in addition, the U.S. domestic producer already has the advantage of a not insignificant protective tariff. In the case of lead ores this amounts to 0.75 cents per pound on lead content and 1.0625 cents per pound for refined lead. For zinc ore the tariff is 0.67 cents per pound on zinc content, and 0.7 cents per pound for refined zinc.

In addition, the U.S. domestic producer is placed in an advantageous situation because he already operates within the world's largest consumer market. He can nearly always offer faster delivery, and can usually do it with lesser freight costs than overseas shippers.

The domestic producers competitive situation has been further enhanced by recent technological changes which are referred to in the report of the Tariff Commission in June 1965 (p. 9):

Most domestic producers will probably be in a stronger position to meet future import competition without import quota restrictions than in the past, as their competitive position has improved substantially in the past 6 years. Production has been concentrated in larger more highly mechanized and more efficient mines, requiring less labor per unit of output. The efficiency of lead and zinc smelting and refining has also improved, mostly through modernization of facilities, concentration of production in the more efficient plants, and near capacity operation in recent years.

(6) The provisions of S. 289 would affect Australia's trade with the United States in lead and zinc very seriously indeed.

In the case of lead metal, Australia's commercial shipments to the United States over the 5 years 1953-58 were at an annual average level of 59,000 short tons. With the imposition of quotas in 1958, Australia's lead metal sales in the United States were reduced to 47,360 short tons per year, which represented a serious cutback.

These quotas were lifted in October 1965, and over the past 2 years Australian shipments of lead metal to the United States were—

[In short tons]

	Lead metal	Lead bullion	Total
1965.....	51,104	448	51,552
1966.....	44,187	1,272	45,459

If the quotas provided in S. 289 were to have been put into effect by April 1, 1967, then we estimate Australia's lead metal quota could have been reduced to between 27,000 and 28,000 tons per year, a far more drastic reduction than that which was imposed in 1958.

Such a sudden and damaging reduction of our sales volume in the U.S. market could have serious repercussions on Australia's lead-zinc industry, and also on Australia's balance of trade with the United States.

On zinc metal, Australia's exports to the United States averaged about 3,500 to 4,000 tons per year over the period 1953-57. As mentioned earlier, the quotas imposed in 1958 discriminated against Australia in that no separate Australian quota for zinc was established, with the result that zinc exports to the United States dwindled to such token quantities as could be entered through the "All other" quota category.

When the quotas were removed Australia resumed zinc exports to the United States and under the buoyant market conditions of 1966, was able to ship 24,867 short tons to the U.S. market. This was an important volume of U.S. export sales for Australia, although it represented only about 1.7 percent of the total U.S. zinc market in 1966. Under S. 289, again without its own quota, Australian zinc business would be reduced to the point of being virtually eliminated, further adding to Australia's trade deficit with the United States.

(7) The effect of quota controls will be to increase Australia's substantial deficit in trade with United States.

Australia is a very good customer for U.S. exports and for many years has been buying substantially more from the United States than the United States buys from Australia.

In absolute terms the deficit against Australia in its trade with the United States has increased over recent years, as the following table shows:

[In thousands of Australian dollars]

	1963	1964	1965	1966
Australian imports from United States.....	473,182	647,970	700,346	733,767
Australian exports to United States.....	284,880	255,678	290,768	366,682
Australian deficit.....	188,302	392,292	409,578	367,085

Source: Provisional figures from the Commonwealth Bureau of Census and Statistics.

I might just comment that the table is shown in Australian dollars, which by and large equal approximately 11 percent more than U.S. dollars, so that the net deficit in American dollars is approximately 11 percent larger in numbers than the figures shown here.

Australia realizes that she may not always be able to achieve a balance with each of her overseas trading partners and expects that, at best, she will continue to incur a substantial trade deficit with the

United States for some time to come, particularly since Australia is now facing some years of heavy defense purchases in the United States.

However, the degree of the present deficit is already unhealthy, and it is disturbing to contemplate the possibility that the United States may, through unilateral action, further aggravate this deficit and deny to Australia the opportunity to maintain a not unreasonable level of trade with the United States in these important and traditional commodities. As friendly allied countries it would not appear unreasonable to expect the United States to be sympathetic, if not actively cooperative, toward assisting Australia in reducing this large deficit rather than legislating new measures to worsen it.

#### CONCLUSION

The Australian Lead-Zinc Industry Group is completely opposed to quota devices in world trade in lead and zinc; its opposition to a quota control system is based on practical experience of it as a principle, and it is convinced that the new form in which the principle reappears not only maintains its basic unacceptability, but increases the intricacies of its operation.

The Australian Lead-Zinc Industry Group wishes to record its appreciation of the committee's courtesy in agreeing to hear the Australian views.

Thank you, gentlemen.

Senator Moss. Thank you, Mr. Fletcher, for your statement. You make your point, I think, very clearly. It is, of course, in opposition to a bill that seems to have quite widespread acceptance here within the committee, but I assure you it will be carefully studied and weighed.

In your testimony this morning, you referred to a number of American companies that are producing profitably now, but this happens to be a time when there is not any depression in the mining industry, or at least, it is a better time than usual. However, if there is a drastic drop in the price, and we have increased imports coming in, then, of course, these are the companies that will be placed in jeopardy. Consequently, it seems to me that the American interest is to try to stabilize industry within our own country. Is there any flaw in that kind of argument?

We, of course, have to direct your attention first of all to our own economy, and accommodate it to the maximum degree of free trade. I agree, trade with the world is important to us, too. We are trying to find a balance here, if we can, where we can do the optimum of both.

Now, unless we have some market stabilization, we might very well go into a period of very depressed prices, as we have experienced at times in the past.

Mr. FLETCHER. May I speak to that for a moment, Senator?

Senator Moss. Surely; please do.

Mr. FLETCHER. If I may, I think you touched on two or three points, and I am trying to memorize them, so that I can deal with them.

As for the first, I would think that a reference to the history of the lead-zinc industries, let's say ups and downs, let us take the postwar period, if you want, since 1946, would show that they parallel very closely the general ups and downs of the U.S. economy as a whole.

I don't think that one would be able to demonstrate at all that they were down in the dumps at a time when the rest of the economy was booming.

What I am trying to suggest is that imports per se are not the villain here, really. If the economy as a whole is in the state of recession or depression, it is rather difficult to expect that the lead-zinc industry will be doing well, and this is pretty much what has happened in the past, and I think that the figures will show that.

As to the second, you referred to the question of stabilizing the prices, I think you implied, in the United States, and that this might be a desirable objective. I think to deal with that, I would have to say, Senator, that in my own view as I have stated this morning and again this afternoon, and I quite genuinely believe this, lead and zinc are what we have termed world commodities, and cannot be successfully divorced in one market from another, unless a particular market is completely independent of the outside world, which we are not.

Therefore, I think you would find that if American prices go down, U.S. prices go down, it is because prices have gone down outside, and if U.S. prices go up, it is because prices, to a large extent, have gone up outside. American prices follow very closely in parallel with world prices for lead and zinc. They always have done, and I think they always will do, and I am quite convinced that they will do, if this proposed bill were enacted into legislation, the same thing would hold true.

If the world prices went down to 9 cents a pound, or below this, our prices in this country would have followed them down, regardless of what quota legislation this committee might enact.

I think it is important that we all understand this, and I think we have been chasing some pipedreams here by thinking that by enacting quota legislation, the American market can be insulated from the price activities in the outside world. History proves that this just does not happen, and I don't think it ever would.

Senator Moss. Well, did we not have a sizable drop in the price of lead in 1962, when the general price structure remained stable?

Mr. FLETCHER. The general price structure of what, Senator?

Senator Moss. Well, following your theme, the second one, your theme that it is when we have recession or depression that you find it coming into the lead-zinc industry, that it seemed to me that in 1962, which was not a recession year at all, as I recall it, but was one of continued acceleration, that we did have a rather sharp drop in lead prices that year.

Mr. FLETCHER. Yes, in the price of lead. Incidentally, you brought this up, Senator, it happens to reinforce my second argument, which was that prices in this country follow the prices abroad, even though there are quotas. That is what happened in 1962. The price of lead fell abroad, and even though there were quotas on in the United States, and had been on for 3 years or more, the price of lead in this country, I think, in the first quarter of 1962, fell to its lowest level in 15 years, and subsequently started to climb.

I have some of the annual reports of some of the other major corporations of this country, such as General Motors and others, in my briefcase; they are not with me at the table, but I think if you look at them, you would find generally that the period of, say, 1958 through 1961, anyway, and we are talking about early 1962, were not years of boom in the United States. Our economy was not operating at a

very high level. I would say we started to get off the floor in 1962, and move up, and we then did, from 1963 to 1966.

However, it had not occurred—1958 to 1962, I would say, were not good years for the economy as a whole.

Senator MOSS. Senator Jordan?

Senator JORDAN. Thank you. I just have one question, and it is this: Does Australia impose quotas or tariffs on any imported commodities?

Mr. FLETCHER. Not that I know of, Senator Jordan, but I must confess that I am not an expert on all Australia's trade. As far as I know they do not have them on any of the nonferrous metals or on lead and zinc.

Senator JORDAN. And in your opinion, they operate on a strictly free-trade basis?

Mr. FLETCHER. Oh, no, sir. I do not mean to imply that. I do not know of any country that does. And I do not think Australia makes the claim. I will say this: Australia has no duties whatsoever on lead or zinc concentrates, or on lead metal.

Senator JORDAN. But they do on other commodities?

Mr. FLETCHER. Oh, they will on other commodities, and this country has a lot of duties on a lot of commodities, Senator.

Senator JORDAN. Thank you.

Senator MOSS. Thank you very much, Mr. Fletcher. We appreciate having your testimony, and I may say it is very thought provoking. We certainly will deal with it and discuss it thoroughly within the committee.

Mr. FLETCHER. Thank you very much, Senator, for the opportunity to appear.

Senator MOSS. Mr. Michael D. Jaffe, general counsel of the Liberty Lobby, is our next witness. Did I pronounce that correctly?

Mr. JAFFE. Yes, sir, Jaffe.

Senator MOSS. Mr. Jaffe, you may go ahead, sir.

#### STATEMENT OF MICHAEL D. JAFFE, GENERAL COUNSEL, LIBERTY LOBBY

Mr. JAFFE. Thank you, Senator.

Mr. Chairman and members of the committee I am Michael D. Jaffe, general counsel of Liberty Lobby. I appear today to present the views of our 12,000 member board of policy, on behalf of the 170,000 subscribers to our monthly legislative report.

Liberty Lobby supports S. 289, and recommends its early enactment into law. We take this position because we believe that the national defense demands the strengthening of domestic production of strategic minerals, the avoidance of overdependence on foreign sources, and that this legislation sets up a constructive policy for achieving that goal.

Since October 22, 1965, when the President terminated the Import Quota Proclamation of 1958, there has been no effective means for controlling excessive imports of lead and zinc.

It is true that, at the time of the quota termination, there was a shortage of these minerals in the United States, making increased imports necessary. However, since that time, revitalization of the lead and zinc industries in this country, combined with increased production around the world, indicate that a flood of excessive imports, detri-

mental to the American industry, may possibly be forthcoming unless prompt action is taken by Congress.

Experience has clearly shown that presently available Tariff Commission procedures are far too slow and ponderous to provide the needed relief before a great deal of damage is done. And provisions of the Trade Expansion Act of 1962 seem to preclude the Tariff Commission from coming up with a finding of injury to the industry due to excessive imports.

We feel that the legislation under consideration today provides a good balance between the need to strengthen domestic production of lead and zinc, and the need to have alternative sources of supply available when domestic production does not meet demand. We are aware that a certain amount of imported lead and zinc is necessary to American requirements, and we feel that S. 289, by attempting to correlate import quotas with American need for imports, assures against shortages of these strategic minerals.

The American lead and zinc industries were subjected to a disastrous imbalance of supply and demand which brought them to a virtual standstill in the late 1950's. Now, because of increased world demand, closed mines have been reopened and new sources of supply are being developed. Smelting facilities are being expanded. These developments are advantageous to American national security and should be encouraged.

But, the costs of reopening closed mines and smelters are extremely high, and it therefore follows that a healthy industry requires assurance that it will not be swamped by imports. The flexible import quotas set up by S. 289 provide such needed assurance.

Liberty Lobby's primary interest in this legislation, to reiterate, is in the beneficial effect it will have on our national security.

We are not representing any particular interest of the industry, either domestic or foreign, and it is elementary that our national interest requires that the United States attempt to come as close to self-sufficiency in the production of strategic minerals as is possible.

If we are to work toward this goal, a maximum rate of exploration and development of our mineral resources is necessary. And such a high rate of activity on the part of the industry cannot be expected if it is to be subjected to irregular invasions by unneeded foreign imports.

The lead and zinc industries have very recently been subjected to such an invasion, and were very severely hurt by it. Fortunately, they have recovered, and are now in a position to expand. If Congress does not act now, the next invasion by foreign producers, aided by vastly lower wage scales, and inferior safety standards, may well cripple them, and leave the United States at least partially dependent on unreliable foreign sources for two strategically vital minerals.

Thank you.

Senator Moss. Thank you, Mr. Jaffe. Your testimony is concerned, really, with the internal self-sufficiency of the United States in the strategic resource field. Is that correct?

Mr. JAFFE. Yes, sir; that is correct.

Senator Moss. You heard Mr. Fletcher testifying, pointing out that Australia was increasing its purchase of strategic defense materials from the United States, and they are a close ally of ours. How do you balance the interest of having Australia strong and using materials from the United States that presumably are an interchangeable type

of materials with your desire to have internal strength here and not be concerned with the outside?

Mr. JAFFE. Yes, sir. Well, we certainly have no interest at all in harming Australia. I think all Americans appreciate the efforts Australia is making in the fight against communism, specifically in Vietnam.

However, I think, as earlier statements have pointed out, while this measure is primarily designed as a temporary measure to stabilize production, now, if industry—both foreign and domestic—regulates itself under this, there really will be no need for these quotas to come into effect, although, at the present time, there still will be an opportunity for Australia to sell zinc and lead in the United States, and there is really no indication under present circumstances that their market here will be cut off.

And I think, of course, as you pointed out, the primary goal of American policy, sir, should be to protect American industry, to provide self-sufficiency here. I think this can be done by means of balancing these interests, without necessarily harming our foreign trade to any great extent.

Senator Moss. Thank you.

Senator Jordan?

Senator JORDAN. No questions.

Senator Moss. Thank you, Mr. Jaffe.

Mr. JAFFE. Thank you a lot, sir.

Senator Moss. Mr. David Laine, who is secretary of the American Die Casting Institute. Will you proceed, Mr. Laine?

#### STATEMENT OF DAVID LAINE, SECRETARY, AMERICAN DIE CASTING INSTITUTE

Mr. LAINE. My name is David Laine. I am secretary of the American Die Casting Institute located in New York City. The institute is in the trade association of the custom diecasting industry.

We oppose the import limitations on zinc proposed in Senate bill 289. More specifically, we oppose the limitations on imports of zinc metal.

The proposed quotas on imports of zinc metal are, we believe, both discriminatory and unrealistic—particularly since they make no provision for an adequate supply of special high grade slab zinc for die casting consumption—the principal domestic use for slab zinc.

Experience under the late and unlamented quota system and statistical evidence confirm the continuing imbalance between domestic production of special high grade slab and consumption for diecasting alloy. The implication of now legislating this shortage is a matter of deep concern.

The statistical picture indicates that from 1959 to 1966 domestic slab zinc production increased 29.7 percent and total slab zinc consumption increased 57 percent. In this same period the highest increase in domestic production of special high grade slab zinc was 45.4 percent and the highest increase in consumption of special high grade was 64 percent both of these in 1965.

I don't like statistical presentations. In the present case I think statistics are unnecessary. All I mean to point out is that diecasting is the fastest growing as well as the largest market for slab zinc.

Here are some pertinent considerations. In 1964 and 1965 with metal quotas in force—and more liberal than those proposed in Senate bill 289—the demands for special high grade slab for diecasting could not be met. This resulted in all kinds of maneuvering including premium prices for diecasting alloy—substantial tonnages moved at premiums up to 5 cents per pound. Fortunately, with the agreement of the zinc industry, legislation was passed to release zinc from stockpile. All, or virtually all, that was sold was special high grade. Without this supply automobile production would have been seriously impeded and the general economy would have suffered.

There is now no special high grade slab zinc in the stockpile and no emergency bank to offer relief. We feel this should not be forgotten.

Another consideration is this: Automotive use, since 1962, has been almost 60 percent of total zinc diecasting output. Increases in the use of zinc diecastings per car are most important and represent real gains for the zinc industry. Such gains, however, are often undetectable because of the tremendous impact of passenger car volume on total diecasting consumption.

For example in 1965, when 9.3 million passenger cars were produced, we estimated equivalent use of zinc diecastings per car at 81.1 pounds, and total automotive use of zinc diecastings at 382,000 tons. In 1966 passenger car production was 8.6 million and estimated equivalent use per car was up to 85.8 pounds but total automotive use of zinc diecastings was down to 369,000 tons. Obviously had car production been 9.3 million, diecasting use would have been up to 399,000 tons.

We, of course, recognize this difference between total consumption and per car use. It is to diecasters a fact of life. While the feast or famine of total passenger car production are completely beyond our control, we strive to increase the use of zinc diecastings per car.

This is done by working on advanced designs and engineering zinc diecastings to the style concepts of future automobiles. To us as diecasters and to the zinc industry this is crucial. Adoption by an automobile manufacturer of additional zinc die-cast parts is not easy to accomplish. When a part appears satisfactory to the designers and stylists and engineers it is still subject to economic evaluation against competing designs, produced of other materials and by other methods.

It is no secret that a significant number of zinc diecastings have already been lost for some 1968 as well as 1970 model vehicles. We are at present fighting to regain them for 1971 and future models. The zinc industry knows this—or some producers, at least, know it.

We seriously doubt that the proposed quotas on imports of slab zinc will help regain zinc diecasting markets or build new ones. We feel quite sure that the imposition of quotas will bring about an increasing trend to design away from zinc diecastings.

Another consideration that appears to have been overlooked is that the imposition of quotas on imports of metal may very easily boomerang as far as zinc diecasting production for automobiles is concerned. Under the terms of the United States-Canadian Automotive Agreement the zinc die-cast parts of new automobiles can be produced in existing Canadian diecasting plants and be shipped into the United States free of both tariff and the proposed quota restrictions.

These are pertinent considerations which we, as diecasters, feel must be given consideration from the practical standpoint of protecting and increasing the consumption of zinc.

Returning now to the bill itself, it seems to us that, in the statement of purpose, the words "to assist in the national defense" are unrealistic in the absence of a stated military requirement for zinc. This is especially so since there is no provision in the bill to assure a sufficient supply of special high grade zinc which would be the important element in military requirements.

In section 201(b) the failure to distinguish special high grade zinc metal from other unwrought zinc appears to us as discriminatory and unrealistic for the reasons already stated.

In section 201(h) the determination of a quarterly quota by lumping general imports of zinc metal and zinc ores makes no distinction for variations or differences in requirements during the base period for metal versus ore and for special high grade metal in particular.

In section 203(a) the use of producers stocks of slab zinc versus domestic shipments by such producers as a triggering mechanism appears to us as discriminatory in that it takes no account of consumption or consumer inventories of slab zinc and zinc ingot.

In section 203(b) the setting of the minimum quota at 130,000 tons appears unrealistic since this level proved insufficient in the past.

In section 203(c) there is double discrimination in that ores are unduly favored over metals and in the failure to assure sufficient imports of special high grade slab zinc in the light of the apparent shortage of productive capacity to meet diecasting needs.

In section 203(d) the assignment of specific quotas to countries supplying more than 10 percent of total imports in the base period is discriminatory and unrealistic. The ratio of producers stocks to producers shipments is critical and we believe subject to manipulation. In addition, it makes no provision for considering changes in rates of consumption as related to productive capacity for special high grade.

Section 405 provides that quotas established under the act shall be in effect for a term of 3 years unless terminated by the ratio of producers stocks to producers shipments. This makes no provision for assuring adequate supplies of special high grade zinc. In fact high inventories of prime western or other grades, could inhibit termination of the quota in the face of a shortage of special high grade which is sure to develop in the light of the shortage of current productive capacity for special high.

It is our considered opinion that, if this legislation were in force, in the light of today's reduced level of automobile production, quotas could be triggered by August or September. Should this happen it would appear to limit the availability of special high grade slab zinc to about 575,000 tons per year—this total represents the 1965 rate of domestic production of special high—482,000 tons—and, incidentally, not all of that went to diecasting—plus 93,000 tons of the 104,000 tons minimum of metal annually importable under the bill.

This is the only calculation that can be made from a diecasting standpoint—and, incidentally, it happens to be the calculation that was made by our largest customers—and it spells out a supply situation that is less than consumption in 1965 or 1966 and below requirements for 1967 and the ensuing 3-year period.

It offers no hope of meeting diecastings needs for special high grade zinc in 1970 which we estimate at over 800,000 tons.

*Pertinent statistics*

[In thousands of tons]

	Production of slab zinc	Consumption of slab zinc	Production of special high-grade slab zinc	Consumption of special high-grade slab for die-casting alloy
1959.....	856.5	956.2	331.3	383.4
1960.....	868.2	877.9	357.2	331.1
1961.....	902.0	931.2	353.5	337.2
1962.....	938.3	1,031.8	392.9	419.0
1963.....	952.9	1,105.1	411.3	462.5
1964.....	1,025.7	1,207.3	468.7	517.4
1965.....	1,078.3	1,354.1	481.9	629.8
1966 <sup>1</sup> .....	1,110.4	1,400.0	466.3	605.0

<sup>1</sup> Preliminary.

Source: U.S. Bureau of Mines.

Senator Moss. Thank you, Mr. Laine, for your thoughtful testimony, and representing the users of zinc, of course, you have great interest in it.

You say that there is no special high grade zinc in the stockpile and no emergency bank to offer relief. Would this indicate that there is no surplus at all of zinc now in the market?

Mr. LAINE. At the present time, there is inventory in the hands of producers, and inventories in the hands of consumers, but should consumption rise to a level of 9 million automobiles, there is not enough, and there is no longer a stockpile to get excess from. The inventory that the producers had dropped very rapidly when automobile production went up, and there is now no place to turn.

You see, the fact of the matter is that the die casting industry is living in 1971. That is where we are right now. And when the automobile industry looks at a part, to decide whether to make it out of plastic or to decide to make it as a zinc die casting, their economic analysts come up with the fact that they are not going to be subjected again to demands for premium prices for either die castings, because the metal isn't available, or the metal, if they are making it themselves, and they have already started designing away from zinc die castings.

This is 1967; it is not in the statistics. I doubt that the statistics for 1967 will show a drop of any considerable amount, barring a strike in the automotive field, of total consumption. But we know these parts are already gone. We are not going to be making them for 1968 and 1969 automobiles, and from now on, the new ones that are coming up, we get told, "How do we know there will be material?"

Now, how do you answer that in the face of a quota bill, which to everybody in the world except the zinc industry means a restriction? Quota means restriction, and if you can take this out of the minds of the analysts in the automotive field and the appliance industries, then we have something. But as a practical matter, it does not work.

Senator Moss. Well, of course, there would have to be some piling up of zinc before you could trigger the quota into effect. Is that not right?

Mr. LAINE. Senator, as of March 31, according to the American Zinc Institute, the inventories of producers were 125 percent of their average sales. It is not at all inconceivable, over the next 3 months, with the automobile industry in the situation that it is, the consump-

tion can drop so considerably that if production remains where it is, that the situation with regard to the triggering mechanism would be satisfied. This is what we are talking about.

Yes; there will be a buildup in inventories at certain times. The automobile industry builds up inventories. About every industry I know builds up inventories. They also plan their production carefully to meet the needs of the market. They consult consumers, and they try and come up with a balanced program. I don't think the zinc industry has done this, Senator.

Senator Moss. You testified there is already a degree of substitution for zinc in the automotive industry. What is the principal substitute material?

Mr. LAINE. Plastic moldings.

Senator Moss. Plastic moldings. And your point is that without insurance of a supply of zinc, you have little opportunity to compete and get back into zinc die castings, rather than having them continue with the plastic?

Mr. LAINE. That is right.

In addition to our problems of competing with the plastic molding, we get faced with the question of "How do we know there will be enough zinc?" We cannot answer this. There is nothing in this bill that indicates anything except that there won't be enough.

Now, Clark Wilson, this morning, did recognize, did state that the producers recognize this, but it isn't a problem of the producers recognizing it. It is not a problem of me recognizing it. Our customer industries do not recognize it. They go by the book, and here is what was produced, and here is what will be allowed in, and everything else is if money, and there will be pie in the sky when we get there, but we don't have it, and unless we can justify it right now, it is just as easy to tell your people to design away from zinc. One producer has expanded, one customer of our industry, and an automobile producer has expanded its plastic molding facilities by six times, and while this is not necessarily the end of the world, and we don't think it is, it does not make it easier to go back to these people and face the fight over inadequate supply of material in addition to everything else. And from a realistic standpoint, this is what it means.

Senator Moss. When you referred to, or said, that there would be a specific quota for only one country, were you referring just to the United States?

Mr. LAINE. No. Canada is the only country that exceeded 10 percent of the allowable metal imports. They would be the only one with a quota, and they are the ones that probably need it less, because they can send it in as finished die castings. I think the United States-Canadian Automotive Agreement Act probably is only beginning to be felt, but faced with a quota on shipping metal in, I think they would vastly expand their die casting production. I don't think there is any question about it.

Senator Moss. Thank you. Senator Jordan?

Senator JORDAN. No questions.

Senator Moss. All right. Thank you, Mr. Laine. We appreciate very much having your testimony.

Mr. LAINE. Thank you, sir.

Senator Moss. Mr. James E. Mack, of the Rolled Zinc Manufacturers Association. Mr. Mack, we are pleased to have you come and testify today.

#### STATEMENT OF JAMES E. MACK, REPRESENTING THE ROLLED ZINC MANUFACTURING ASSOCIATION

Mr. MACK. Thank you, Mr. Chairman. My name is James E. Mack, and I appear as general counsel and in behalf of the Rolled Zinc Manufacturers Association which is the national trade association of the six U.S. manufacturers of rolled zinc products who produce 100 percent of the rolled zinc manufactured for sale in the United States. Rolled zinc products include zinc in sheets, strip zinc, engraver plates, and zinc wire and rod.

The general viewpoint of rolled zinc manufacturers concerning the import competition problem of their suppliers; namely, the producers of zinc ore and metal, is a very sympathetic one. We recognize the difficult competitive situation with which they are confronted in view of much higher production costs in the United States, and also we acknowledge fully the desirability of maintaining a prosperous lead and zinc industry in the United States.

Aside from a general position of sympathy with the import competition problem of lead and zinc mining and smelting, to which I have made reference, I shall devote the remainder of my statement to discussing the problems of rolled zinc manufacturers in connection with import competition which has many of the same elements present as are evident in connection with the import competition problem of zinc ore and metal. Also we must pay more for the basic metal with which to commence the manufacturing operation than do our foreign competitors.

Furthermore, rolled zinc products are high labor content items and our labor costs are several times those of our foreign competitors. With these facts, if there are to be imposed import quotas on zinc ore and metal, it is vital that there also be imposed quotas on the various rolled zinc products which consist of almost 100 percent zinc. Otherwise, additional impetus will be provided to get the metal into the United States in the form of products and imports of rolled zinc products undoubtedly would further increase.

As S. 289 is now before you, it is our thinking that title III does not provide the most logical and reasonable means for imposing import quotas on rolled zinc products. We are pleased that there is agreement between the Rolled Zinc Manufacturers Association and the Lead-Zinc Producers Committee as to appropriate language to replace title III of S. 289. A copy of the text of this suggested amendment already has been presented to you by Mr. Clark Wilson, of the Lead-Zinc Producers Committee, and a copy also is appended to my prepared statement.

I would like to outline the specific situation in which the U.S. rolled zinc industry finds itself today and shall do so by discussing some of our principal products.

Zinc in sheets is a product produced first by the strip rolling of zinc and then by pack rolling and cross rolling it. Our association has available statistics regarding U.S. production and imports of this item commencing with 1952 through the year 1964.

In 1952, imports represented a quantity equivalent to only 1 percent of domestic industry production. Then imports commenced to increase. For the calendar year 1964, imports represented a quantity equivalent to approximately 45 percent of domestic industry production.

At the end of 1964, the number of U.S. companies manufacturing zinc in sheets was reduced to two. With only two companies manufacturing zinc in sheets today, it is not feasible to issue statistical information without revealing individual company statistics.

In 1964, however, U.S. production was less than half of what it was 10 years earlier, while imports had increased tremendously. The principal country shipping zinc in sheets to the United States is Yugoslavia, and zinc in sheets may be imported at 1 cent per pound even from Communist Yugoslavia. The only conceivable assistance to us would be a quota.

While I shall not dwell on the subject, Congress might wish to observe how the U.S. zinc sheet manufacturing industry has been injured by Communist Yugoslavia in connection with congressional legislation to liberalize East-West trade.

Recognizing that zinc in sheets is a particularly high-labor content item, it is not surprising that Yugoslavia has invaded heavily the U.S. market when the average earnings of workers in Yugoslavia are compared with earnings of workers in the United States.

For 1965 average hourly earnings in the U.S. rolled zinc industry, aside from fringe benefits, were \$2.77. In Yugoslavia in 1965 (which is the last year for which comparative statistics are available) according to the International Labor Office "Yearbook of Labour Statistics, 1966" average hourly earnings in nonferrous metal manufacturing industries were only 27 cents. Thus, our wages are approximately 10 times the wages paid by our principal foreign competitor which is Yugoslavia.

As I have indicated, we have been seriously injured by imports of zinc in sheets. We would like to preserve what market we have left for zinc in sheets, and this can be done only by an import quota.

The next item to which I would like to refer is strip zinc. Strip zinc is rolled in one direction only; and fortunately, we have more import protection on this item than we have on zinc in sheets. As a result, we were able to compete, although not very profitably until 1966. Now that foreign suppliers have made major inroads in the market for zinc in sheets, they are rapidly proceeding to capture the strip zinc market.

Prior to 1965 imports of strip zinc were minor. They were still minor in 1965 when only 14,452 pounds were imported with a value of \$4,335. However, for 1966 imports had increased from 14,452 pounds with a value of \$4,335 to 649,027 pounds with a value of \$188,834.

The domestic strip zinc industry will go the way of the domestic zinc in sheets industry, we are fearful, unless we get an import quota on strip zinc. In the case of strip zinc the principal foreign competition is of United Kingdom origin.

Average hourly earnings for adult males in 1965 in the metal products machinery industry in the United Kingdom according to the "Yearbook of Labour Statistics, 1966" was \$1.26 compared to U.S. rolled zinc average hourly wages of \$2.77, or more than double United Kingdom wages.

We are also very much concerned regarding imports of zinc wire as well as other rolled zinc products.

If the amendment which Mr. Wilson has suggested and which I also am suggesting as a replacement for the current title III of S. 289 is adopted, we believe rolled zinc will be dealt with fairly under the bill.

Accordingly, this is to request the subcommittee to adopt this amendment.

Mr. Chairman, I would like to request that the suggested language of this amendment be printed in the hearing as part of my statement.

Senator JORDAN. It will be included.

(The amendment referred to follows:)

SUGGESTED AMENDMENT TO S. 289 (LEAD-ZINC IMPORT QUOTA LEGISLATION)

Commencing on page 8, strike out all of title III and in lieu thereof insert the following:

"TITLE III—MANUFACTURED LEAD AND MANUFACTURED ZINC

"Sec. 301. As used in this title—

"(a) The term 'specified manufactured lead article' means the following items which if imported into the United States, are subject to duty under the Tariff Schedules of the United States, as indicated:

"Litharge (schedule 4, part 9B, item 473.52);

"White lead (schedule 4, part 9B, items 473.60 and 4773.62);

"Plates, sheets, pipe, and tube of lead (schedule 6, part 2G, items 624.10 and 624.50).

"(b) The term 'specified manufactured zinc article' means the following items which imported into the United States, are subject to duty under the Tariff Schedules of the United States, as indicated:

"Leaded zinc oxide (schedule 4, part 9B, items 473.46 and 473.48);

"Zinc oxide (schedule 4, part 9B, items 473.76 and 473.78);

"Alloys of zinc (schedule 6, part 2H, item 626.04);

"Plates, sheets and strips of zinc (schedule 6, part 2H, items 626.15 through 626.24);

"Zinc wire (schedule 6, part 2H, items 626.30 and 626.31);

"Zinc powders and flakes (schedule 6, part 2H, items 626.40 and 626.42).

"(c) The term 'imported into the United States' means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Classification Act of 1962.

"Sec. 302. (a) The Secretary of the Interior shall establish quarterly import quotas for any 'specified manufactured lead article' or 'specified manufactured zinc article' equal to 100 per centum of average imports of such article during the quota base period as provided in sections 101 and 201, where the manufactured lead article or manufactured zinc article is imported in any calendar quarter commencing with the calendar quarter that a lead or zinc quota, respectively, becomes effective under provisions of section 103 or 203, in quantities equal to 110 per centum or more of the average quarterly imports of such article during the quota base period as provided in section 101 or 201.

"(b) The Secretary of the Interior may establish quarterly import quotas for any other manufactured lead article or manufactured zinc article equal to 100 per centum of average imports for such article during the quota base period as provided in sections 101 and 201, where (1) more than 50 per centum of the gross weight of the article is attributable to its lead or zinc content, respectively, and (2) the manufactured lead article or manufactured zinc article is imported in any calendar quarter subsequent to the date that a lead or zinc quota, respectively, becomes effective under provisions of section 103 and 203, in quantities equal to 110 per centum or more of the average quarterly imports of such article during the quota base period as provided in section 101 or 201.

"Sec. 303. (a) No manufactured lead article or manufactured zinc article shall be imported into the United States in any quarter after the amount of such manufactured lead article or manufactured zinc article imported into the

United States during such quarter equals the quarterly import quota established for such article under this title.

“(b) Import quotas for manufactured lead articles or manufactured zinc articles established under provisions of this title shall terminate effective on the date of termination of quotas for lead metal and lead ore or zinc metal and zinc ore as provided in section 103 (e), 203 (e), or 405 of this Act.

“(c) Any quota established in accordance with this title shall become effective on a pro rata basis the first day of the month following the month in which the Secretary determines that the conditions set forth in this title are met.”

Senator JORDAN. Thank you, Mr. Mack, for your statement. Yugoslavia has not gotten into the strip zinc business yet; is that correct?

Mr. MACK. We have not seen any imports of strip zinc from Yugoslavia. To some extent, the uses to which strip zinc and zinc in sheets may be placed are interchangeable. Since zinc in sheets is a higher labor content item, a consumer is not likely to use zinc in sheets, if strip zinc will serve his purpose. However, in Yugoslavia, where they get people to work for 27 cents an hour, there really is not much inducement to shift manufacturing from zinc in sheets to strip zinc. Particularly since they can import zinc in sheets into the United States at 1 cent pound, which is equivalent to only a 3- or 4-percent ad valorem rate, against a 19-percent rate on strip zinc. There is considerable inducement however, for other countries, such as the United Kingdom, to ship strip zinc to the United States. Canada ships strip zinc to the United States.

Senator JORDAN. Thank you. Your statement points up one of the problems that beset us as we move toward a freer trade in this commodity. Thank you very much.

The next witness is Mr. Henning.

**STATEMENT OF GUSTAV E. HENNING, PRESIDENT, HENNING BROS. & SMITH, INC.**

Mr. HENNING. Mr. Chairman, members of the committee, I have no prepared statement. I will just respectfully submit the facts to the committee.

I am Gustav E. Henning, president of Henning Bros. & Smith, Inc., located in Brooklyn, N. Y.

Henning Bros. & Smith is an independent alloyer of zinc-based, die-casting metals. Special high grade slab zinc is our raw material, and I will speak on this metal.

Henning Bros. & Smith has always purchased from both domestic producers and importers special high grade slab zinc for the manufacture of its die-casting metals, which it supplied to the die-casting industry, primarily, in the northeast section of America. We are greatly concerned with the supply to us of special high grade slab zinc, and I will say—without revealing any company secrets, inasmuch as we are a small family-owned corporation—1964, Henning Bros. & Smith was severely curtailed in its raw material special high grade slab zinc. The latter part of 1964 saw the beginning of what resulted in 1965 in a very serious shortage of this raw material to us, and a very serious loss of sales to our die-casting customers.

We have not yet recovered from this serious loss of sales, and that is why I am here today.

I do not know the answers for the domestic producers of zinc. I only know that Henning Bros. & Smith is gravely concerned with the supply of its raw material. Special high grade slab zinc is a necessary commodity. We sell not only the automotive industry, but we sell a diversified range of industries, electronics and others.

I believe that my industry, the independent alloys, can benefit most from a free supply and demand situation, and I respectfully, therefore, submit this to the committee.

Thank you.

Senator JORDAN. I take it, then, your position, or the position of your company would be in opposition to S. 289.

Mr. HENNING. As it now stands, sir, yes.

Senator JORDAN. Would you have any suggestions as to how it might be improved to fit your needs?

Mr. HENNING. Unfortunately, sir, I do not. I only was made aware of this bill through a publication in the American Metal Market, and subsequent letters of mine to both Senator Javits and a response from Senator Gruening. I have never received a copy, nor did I request one. I have not a copy of the proposed bill, so I could not adequately go point by point in opposing or supporting, but I just therefore present to the committee the facts of the raw material situation to an independent alloyer, such as we, of these special high grade slab zinc situations.

Senator JORDAN. I appreciate your comment. If you would like, we will hold the record open. If you would like to be supplied with copies of the bill or any other information we have, you may submit a statement at a later date.

Mr. HENNING. I thank you, sir, and if there are questions that we as a company and an independent alloyer can supply the committee, we would be more than happy to do so.

Thank you, sir.

Senator JORDAN. Thank you.

Is Mr. Barnard here?

Mr. FRENCH. He didn't request time, Senator.

Senator JORDAN. Did he file a statement?

Mr. FRENCH. Yes.

Senator JORDAN. It will be included at this point.

(The statement referred to follows:)

STATEMENT OF ROBERT C. BARNARD, REPRESENTING THE ANTIKNOCK COMPOUND PRODUCERS

This statement in opposition to S. 289 is submitted on behalf of three producers of antiknock compounds, the Ethyl Corporation, E. I. du Pont de Nemours & Co., and the Houston Chemical Corporation. The antiknock compound industry accounted for over 19% of lead metal consumption in the United States during 1966. The current employment of the three producers submitting this statement is in excess of 5,400 workers at 5 manufacturing locations in the states of Louisiana, Texas, California and New Jersey.

As diversified corporations, the antiknock compound producers are well aware of the problems domestic industries face due to imports. These producers are not opposed to a reasonable degree of protection against foreign competition *when economic conditions require* that import restrictions be imposed. In any event, import restrictions must be proportionate to the economic threat posed by imports. The stringent import quotas provided for in S. 289 are, in our view, unnecessary and unreasonable. S. 289 would, in effect, grant to domestic producers the power to control domestic prices and supply.

The most objectionable administrative provision in S. 289 is its use of a stocks-to-shipments ratio as a triggering mechanism. Section 103(a) includes stocks "elsewhere" in the calculation of total primary producers' stocks. So long as a producer has not parted with title to lead metal, his stocks are "elsewhere" (including stocks in outside warehouses, on consignment or in transit). During the past year, nearly one-third of lead metal stocks fell into the "elsewhere" category. A stocks-to-shipments ratio triggering mechanism will place a premium on primary producers' increasing stocks at critical periods since this will lead to triggering the quotas.

In addition, we oppose this particular quota bill for other reasons. Economic conditions do not justify its severe restrictions. The quota once triggered steadily decreases; although the quarterly quota for ore is fixed at not less than 30,000 tons, the lead metal quota can decrease to below that level. Stocks of refined lead and antimonial lead are compared with shipments of refined lead only in determining whether a quota should be triggered. Finally, the bill contains no mandatory reporting requirements and no governmental machinery is suggested for determining when quotas should be triggered or terminated.

For the foregoing reasons, we respectfully submit that this Subcommittee should not favorably report S. 289.

Senator JORDAN. Mr. Kenneth W. Green?

Mr. GREEN. I am here.

Senator JORDAN. Do you wish to testify, or will you file a statement?

Mr. GREEN. I have filed a statement, sir.

(The statement referred to follows:)

STATEMENT OF KENNETH W. GREEN, REPRESENTING THE ASSOCIATION OF  
AMERICAN BATTERY MANUFACTURERS, INC.

PREFACE

I, Kenneth W. Green, Director of Purchases of The Electric Storage Battery Company, have been delegated by the Board of Directors of the Association of American Battery Manufacturers (AABM), to express the opposition of AABM to the "Lead and Zinc Act of 1967," covered by S. 289.

According to the 1963 Census of Manufactures, the storage battery industry is composed of 252 establishments employing 17,524 people, whose shipments were valued at over \$515 million. It is estimated by the Census Bureau that employment by this industry in 1966 exceeded 20,000 people.

The storage battery industry is the largest class of lead users and, in 1966, accounted for 35 percent of the total lead consumption.

Since our industry is concerned mainly with lead, all remarks or comments will be confined to the sections of the bill related to lead.

"CAST OF CHARACTERS"

The "Lead and Zinc Act of 1967" does not specifically mention all of the groups of people that are involved. It is well to enumerate them and to keep in mind the part each plays as the plot unfolds:

1. U.S. Government
  - (a) Executive Branch
  - (b) Legislative Branch
2. The Industry
  - (a) Miners and Smelters
    - (a-1) having modern low-cost mines, mills and smelters
    - (a-2) having high-cost marginal mines
  - (b) Custom Smelters
  - (c) Secondary Producers or Smelters
3. The Importers
  - (a) representing foreign Countries
  - (b) representing foreign Companies
  - (c) branches of U.S. Companies with operations outside of the U.S.
  - (d) traders of odd lots from any point of origin
4. The Consumers

One thing the bill accomplishes. It establishes quite clearly that consumers are not a part of the lead industry. In this "Act," the consumer plays the role of the "forgotten man," and the fact that he must buy all the lead which the industry chooses to produce, also seems to have been forgotten.

## HISTORICAL RÉSUMÉ

Since the opening of the 90th Congress, a number of bills have been introduced in the Senate and House, all with the same citation and verbiage. In the Congressional Record—H 111,\* Mr. Aspinall's opening remarks included, "the lead-zinc industry has perhaps the longest and most consistent record of any metal for continuing effort with the Congress and with the executive departments to achieve a minerals policy." This was sixteen years.

This suggests the review of certain facets of the commerce in lead for that period that are pertinent to the bill. Exhibits are shown, including graphic charts that begin with 1950, because this period includes the Korean War, three primary price cycles, and three troublesome cycles of stock accumulation.

On many occasions, the Executive Branch has been criticized for not having a minerals policy, without any one defining what the nature or form such a policy should take. In our democracy, any durable goods industry is free to produce at will and each must bear the responsibility of meeting the demands of the market, and face the danger of overproduction. If we are to cherish and protect that freedom, we should not expect the Executive Branch to formulate a policy that will guarantee freedom from trouble and rescue when we get into trouble.

Granted that there may not be a formal mineral policy expressed in words, but, it seems to me, the Executive Branch has recognized earlier troubles and endorsed Congressional Acts for acquisition of an emergency stockpile. To relieve excessive world stocks, they have on several occasions made purchases of foreign lead for addition to the stockpile that contains over a million tons of lead, or more than two years' production by the primary producers.

Stockpiling by the Government is not the answer to the problem of overproduction. It is only a palliative that delays the day of reckoning. When, in 1958, industrial production dropped markedly, it was reflected in the lead industry by a 150,000 ton drop in consumption from 1957. Primary producers' stocks rose sharply to 215,000 tons, but the mines and smelters continued to work 7 days per week. It is conceded that metallurgical processes can not be throttled at will, but why should it take 18 months to do something about it? A similar situation has prevailed in the case of zinc.

Beginning in May 1957, the lead price dropped 5.25¢ in 15 months' time. High-cost marginal mines had to drop out of the picture. The clamor for relief increased in intensity and there began a series of plans and proposals to provide sliding scale tariffs or quotas. A popular tariff cut-off point was 17¢ which seems to indicate protection for the marginal mines.

There was no easy solution. The miners proposed outright quotas. The custom smelters, who use foreign as well as domestic raw material, complained that they cannot be deprived of necessary intake and that they employed large numbers of workers. With little chance of success to pass a favorable bill, they turned to the Tariff Commission for remedy under the Escape Clause provision of the present law. The Executive Branch recognized the findings of injury but sought a different remedy, perhaps because an increased tariff would be difficult to rescind after normal economic conditions had returned.

The President proclaimed a quota on imports, effective October 1, 1958. Perhaps it is coincidental but at this time the price rose 2¢ per pound, and the increase could not be sustained because of low consumption. Over the next three years, the price eroded to 9.5¢. In August 1962 the price on the London Metal Exchange began to climb, and the U.S. price rose "in sympathy." In fact, the L.M.E. price increase surpassed the U.S. price, forcing custom smelters to raise the domestic price in order to buy the necessary foreign ores. That is how we got up to a 16¢ market. A violent plunge in the L.M.E. price did not, however, produce a similar effect in the U.S.

A rising market for two years; a good price of 16 cents; crystal ball forecasts of better days to come; a change in Missouri land laws; and everyone wanted to be in on the "fishing" at a place stocked with fish. History repeats, and like the days of Noah when the animals entered the ark two by two before the flood, we now have eight companies entering the "ark," two by two, before the flood.

Having committed themselves beyond the point of return, it was timely for them to make a sober appraisal of the future. The press has quoted a prominent authority as saying that when the expansion programs have been completed, mine production in Missouri will increase to 600,000 tons from a recent average of

\* Jan. 11, 1967.

130,000 tons. Discount this optimist by 100,000 tons, add the average production of the remaining States, and we face a domestic mine production of 675,000 tons of recoverable lead. Add 150,000 tons of ore imports to custom smelters, and secondary production of 575,000 tons, and we have a total of 1,400,000 tons "feed" for a 1,325,000 ton "appetite."

All of this narration leads us to the main point of contention—a bill (or bills) of restraint, obviously conceived, prepared, and written by an industry with selfish motives, without regard to or consultation with their most important objective—the consumer. If I were asked to characterize this bill in one word, I would say it is "iniquitous."

#### COMMENTS ON THE BILL

SEC. 103, Par. (a). "If for *any* period of three consecutive calendar months, the stocks of *refined soft lead* and lead content of *antimonial lead* owned by the U.S. primary producers, at their own plants and *elsewhere*, at the close of each month exceed 250% of the average monthly *domestic* shipments of *refined lead* by such producers during the same three-month period, . . ." (Italic is the writer's to indicate point of reference.)

The word "any" is ambiguous. It can mean any time before a quota is in effect, any time while a quota is in effect, or even one calendar quarter before the time limit (3 years) has been reached. This places quite a responsibility upon the Secretary of the Interior.

Sponsors of this bill have repeatedly referred to "the ratio of metal stocks to metal shipments" which would ordinarily denote an inventory ratio used in common business practice. But such is not the case in this bill. Two different physical materials are in this ratio, and the deviation from good practice tends to increase the numerator or decrease the denominator. This has the effect of triggering the quota earlier and suspending it later.

I presume the statistics involved will have to come from the Bureau of Mines. Reporting to the Bureau is on a voluntary basis and normally takes eight to ten weeks to gather, compile and distribute. This delay could be serious in suspending a quota if producer stocks are falling fast. The Bureau of Mines does not segregate producer stocks between those located in their own plants and "elsewhere." The American Bureau of Metal Statistics (A.B.M.S.) does separate the stocks.

A.B.M.S. define stocks held "elsewhere" as those stocks located in outside warehouse, afloat, or in transit, or in consumers' plants, which are still owned or controlled by the reporting smelter or its agent or distributors. Presumably, this could be anywhere in the World. It can include lead on consignment, which is practically off the market and should not be included in these stocks. In Exhibit A it will be noted that in 1966 the producer stocks held "elsewhere" amounted to an average of 32.8% of their total stocks.

The triggering ratio is further accentuated by having the denominator limited to domestic shipments. Foreign shipments by domestic producers, should they become sizable, would improve the lead balance and might alleviate the need for quota protection.

Why should antimonial lead even be included in the ratio when it is such a minor part of primary producer business? Over the past 16 years, antimonial lead production amounted to 8.9% of their total production, and only 5.9% since 1960. In contrast, antimonial lead stocks were an average of 15.9% over 16 years, and in 1966 this ratio rose to 28.2%. The possibility of manipulation is present by increasing the inactive or "dead" stocks.

SEC. 103, Par. (b) and (c). The import quota of lead ore shall be a minimum of 30,000 tons, and the allocation of lead ore shall be 50% of the total quota. The points made are stated in reverse logical order. The importance assigned to this guaranteed minimum might be interpreted to mean that this is a smelters' bill.

Since 1950, the imports of ores and concentrates have averaged only 32.3% of the total imports; in 1966 this ratio was 33.8%. What justification is there to usurp 50% for ores, unless it be to throttle the remainder in metal imports available for consumers? In fact, one might ask the question whether any quota should be allocated for ores, in view of the developing situation of self-sufficiency in domestic ores.

#### HYPOTHETICAL QUOTA CASES

Suppose S. 289 had been operative since 1950. An examination of inventory ratios (See exhibit F-1, F-2) would indicate the necessary condition

## LEAD-ZINC STABILIZATION

to trigger a quota occurred at the end of Feb. 1958. Two months later it would have been reported, and the quota placed in effect July 1, 1958. The table below shows the actual quota that was proclaimed Oct. 1, 1958; the record of imports (A) for 10 quarters prior to our hypothetical case; (B) the actual average share for the base period; and (C) the share that would have been obtained from S. 289.

Lead form	1958-65 quota		(A) <sup>1</sup>	(B)		(C)	
	Tons per quarter	Per cent	10 quarters (tons)	80 percent of (A)		S. 289	
				Tons per quarter	Per cent	Tons per quarter	Per cent
1. Ores, concentrates.....	33,650	37.9	519,405	41,552	39.8	52,136	50
2. Bullion.....			146	12			
3. Scrap.....			38,191	3,055	2.9		
4. Pigs and bars.....			745,664	59,653	57.2		
5. Total (2+3+4).....	55,030	62.1	784,001	62,720	60.2	52,136	50
6. Total imports.....	88,680	100.0	1,303,406	104,272	100.0	104,272	100

<sup>1</sup> Beginning Oct. 1, 1955, to Apr. 1, 1958.

The second hypothetical quota case would involve more recent calculations of actual import experience. Of course, this would assume that our general economy had collapsed in the 4th quarter of 1966; that the quota had been triggered in December; the information collected and reported early in March; and the quota would have become effective April 1, 1967. A table similar to the preceding one would then read like this:

Lead form	1958-65 quota		(A) <sup>1</sup>	(B)		(C)	
	Tons per quarter	Per cent	10 quarters (tons)	80 percent of (A)		S. 289	
				Tons per quarter	Per cent	Tons per quarter	Per cent
1. Ores.....	33,650	37.9	318,218	25,458	33.8	37,647	50
2. Bullion.....			3,308	265	4		
3. Scrap.....			14,345	1,148	1.5		
4. Pigs and bars.....			605,292	48,423	64.3		
5. Total (2)+(3)+(4).....	55,030	62.1	622,945	49,836	66.2	37,647	50
6. Total imports.....	88,680	100.0	941,163	75,294	100.0	75,294	100

<sup>1</sup> Beginning July 1, 1964, to Jan. 1, 1967.

The unfairness of the bill now begins to unfold. The share (50%) to the custom smelter gives them just what they want (150,600 t/yr.), which is slightly more than they actually bought over the last three years. (See exhibit A-1). The remainder, subject to further dilution by any scrap imports, lowers the allocation to importers and consumers by 111,000 tons below the average for the last ten years, or 70,000 tons below the 1958-65 quota. More important—the 1958-65 quota and half of the above 10-quarter base period have an 80% factor “built in,” so that B in the table is 80% of 80%.

This is only the beginning. In any of each succeeding quarter, the ratio may be retested and a lower quota applied until the guaranteed minimum (30,000 tons) is reached for custom smelters. Thereafter, the drop in metal imports accelerates. This is compound retrogression.

## SECONDARY SMELTERS

Nowhere in the bill is mention made of the secondary smelters, yet they play a most important role, in fact their production in 1966 exceeded primary producer production by 18%. See Exhibit A-1 again and note that their average production for the past ten years exceeded that of primary producers. Last year

they could not obtain all the scrap they needed, else their production would have been higher. They are not asking for help and protection.

Years ago secondary smelters concentrated mainly on antimonial lead alloys and other alloys. Softening lead was relatively expensive, but as years passed, more economical methods were found, and the ideal balance of production became 50-50 as between alloys and softened lead. This softened lead competes with the refined soft lead sold by the primary producers, and in 1966 was greater than the foreign ore receipts by U.S. smelters.

#### MARGINAL MINES

When the price of lead fell below 11¢, the small marginal mines had to close and the hue and cry arose because of unemployment. Again "no minerals policy" and no relief bill in sight, the Congress passed legislation to subsidize the small high-cost miner with a cut-off point at 14¢. The general economic situation improved, the price of lead began to rise, and in 18 months exceeded 14¢. During the tenure of the subsidy bill, few miners availed themselves of the subsidy and, I believe, a large amount of the appropriated relief was unexpended.

The reference to 14¢ lead would seem to indicate that this price is high enough to support the high-cost mines. If the industry fears further price deterioration, then the extent of damage must be measured against modern low-cost mines which will probably include 90% of the production. Then Congress should decide what needs to be done for the 10% minority segment.

#### A FAIR PRICE FOR LEAD

Certainly, the members of AABM do not wish to see harm befall the lead industry. No one can say x cents per pound is a fair price because we do not have public knowledge of the costs that are involved. Companies must report to shareholders and should be able to make a fair return on their investment.

There is some revelation, however, from the files of S.E.C. that concerns two ventures in Southeast Missouri. Two mining companies have agreed to develop and exploit the Magmont Mine with an annual capacity of 50,000 tons of lead. Another group of two mining companies will exploit the Buick Mine project with the same capacity (50,000 t). Both mining groups have contracted to sell their concentrates to the Missouri Lead Company, whose smelting capacity will be 100,000 tons of lead.

If the price of lead at New York drops below 8.5 cents, both mining groups are relieved of their obligation to ship concentrates. The obligation is renewed, however, if the smelter agrees to pay the 8.5 cents per pound "making adjustments for freight which would be incurred in making delivery pursuant to sale in New York City, and less a sales commission of \$3.00 per short ton."

One might reason from the above statement that present day costs are less than 8.50¢ per pound, from which you may reason whether 16¢ or 14¢ is too high a price.

#### THE END RESULT

Mining capacity will be increased 2.5 times. The custom smelters will have a minimum guarantee of 120,000 tons of concentrate imports. Primary producers will be able to produce without restriction, and if their management of stocks in the past is any criterion, one might expect a prompt implementation of the quota and a continuous operation of it.

It can only end in shutting the door to free international trade, which is contrary to a policy this Administration is trying to pursue. It might imperil some sections of the GATT agreement. Even worse, it could provoke retaliation against us in other commodities, or it could set up similar protective features between other Countries that would drive the International lead and zinc situation to its lowest ebb.

For the consumer, it holds out one promise—higher prices.

#### CONCLUSION

Speaking in behalf of the Association of American Battery Manufacturers, the writer states their objection to "The Lead and Zinc Act of 1967" to be:

1. It is iniquitous—devoid of all signs of justice and fairness.
2. The "triggering" mechanism is a ratio of stocks of lead and antimonial lead to shipments of *only* lead. This increase in the numerator tends to trigger quotas sooner and rescind them later.

LEAD-ZINC STABILIZATION

10. YR. LEAD BALANCE 1957-1966 (Tons)

YEAR Source	RECEIPTS BY U.S. SMELTERS			PRODUCTION			FOREIGN TRADE		SUPPLY		DEMAND		PRICE (U.S. c/£)		Yrly. Avar. L.R.R.
	Waste Pb Zn	Concentrates Pb Zn	Scrap Pb Zn	Primary Refineries Pb Zn	Secondary Smelters Pb Zn	Metal Imports Pb Zn	Metal Exports Pb Zn	Total	Total	Total	High	Low	Common	U.S. c/£	
1957	338,216	335,609	62,537	601,376	461,116	324,279	4,339	1,362,430	1,138,115	2,224,315	16.00	13.00	16.66	12.05	1
1958	267,377	285,164	30,115	503,423	368,452	374,003	1,359	1,255,138	985,387	2,269,351	13.00	10.25	12.11	9.13	2
1959	255,286	238,555	124,677	378,356	427,032	263,616	2,756	1,056,046	1,021,149	2,077,195	11.00	11.00	11.21	8.31	3
1960	281,922	231,163	150,886	433,812	438,857	206,033	1,987	1,058,175	1,021,170	2,079,345	12.00	11.00	11.95	9.04	4
1961	236,956	243,861	6,563	396,178	488,692	257,200	2,108	1,082,042	1,027,216	2,109,258	11.00	10.00	10.87	8.03	5
1962	253,369	260,795	8,438	433,152	416,303	286,546	1,088	1,123,419	1,123,419	2,246,838	12.00	11.00	11.61	7.88	6
1963	285,010	300,538	158,163	24,774	477,732	207,927	10,174	1,195,441	1,202,138	2,397,579	16.00	13.00	13.60	12.59	7
1964	301,147	329,805	118,778	25,709	453,030	220,673	7,811	1,209,272	1,241,482	2,450,754	16.00	16.00	16.00	14.37	8
1965	374,867	339,867	145,850	14,633	500,330	466,466	283,389	1,296,264	1,300,100	2,596,364	16.00	14.00	15.12	11.87	9
10 Yr. Avar.	276,520	290,830	154,050	20,480	465,360	261,675	3,915	1,184,360	1,138,075	2,362,435	16.00	14.00	15.12	11.87	10
	62.5%	33.1%	6.4%	39.0%	39.3%	22.1%	.6%	1,100%							

EXHIBIT A-1

Note: No recouping is made for additions to or subtracted from the U.S. Stockpile, but obviously the surplus shown was practically cancelled because primary producer stocks are also used. (1-67)

		1966 U.S.A. LEAD BALANCE SHEET												Final F SOURCE
		JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	
<b>STOCKS LIST OF MONTH</b>														
<b>1. PRIMARY SMELTERS &amp; REFINERS</b>														
	76214	76047	78190	80019	78265	76051	78655	82822	98528	104620	104560	106467	108547	
	30463	31143	30713	32326	36336	33053	36336	38277	40110	40110	38277	38277	38277	
	18726	19133	19057	17192	15115	16548	18330	17519	16832	16389	16988	19753	17604	
	26005	26151	23892	21115	21386	24056	23890	25696	23131	21150	21928	25364	23508	
	8024	8024	13189	13850	13066	13066	14758	14758	14758	11956	12750	12750	13676	
	23462	24482	24482	36112	39332	33312	32487	32487	31271	31271	36282	36282	32487	AV = 32,872
<b>2. SECONDARY SMELTERS</b>														
	48656	49613	52005	47786	46885	42847	43382	46111	45507	48414	47821	45095	50695	
	33450	35200	34598	33330	33980	32110	49765	29134	31605	31250	33990	33355	34685	
<b>3. CONSUMERS &amp; SECONDARY SMELTERS</b>														
	49237	57884	59034	58458	52629	52624	49751	57799	57613	51854	47672	44790	42426	
	36465	33678	34848	36226	36475	36584	38521	38521	33828	35590	33784	32734	32994	
	9671	9702	9370	10491	9710	9992	10811	10960	11359	11393	10460	10993	11108	
	102153	101764	99752	108875	98814	99000	98782	107260	106800	98837	91916	88517	86528	
<b>4. TOTAL REPORTED STOCKS</b>														
	170632	171609	171264	174729	167400	168702	167089	174588	173467	164193	159885	159345	156193	
<b>5. UNACCOUNTED FOR</b>														
	0	-3209	-4656	-2487	4896	-4167	4830	-1053	974	12259	15398	17375	11883	
<b>6. TOTAL LEAD STOCKS</b>														
	170632	168200	166508	172342	172326	164035	171919	173535	174641	178542	175483	176720	168076	
<b>7. PRIMARY PRODUCTION</b>														
	37379	35432	39606	38823	36467	37175	32394	36243	35104	42383	43652	33342	448500	
	1844	1570	1297	1327	2637	3852	1297	515	738	1862	2719	1865	2154	
	39423	37002	40903	40150	39104	41027	33991	36758	35860	44245	46371	35207	469941	
	39424	37000	40919	40276	38553	41028	33979	36728	35123	43367	43885	34284	468466	
<b>8. SECONDARY PRODUCTION</b>														
	12875	11266	12135	12089	11993	10766	12376	11052	12388	12204	12394	10380	142295	
	21969	22708	28907	20847	22891	22829	15465	22272	23892	24016	25564	21911	271151	
	7693	6273	8331	6201	7233	7499	5898	6713	7151	6662	6812	6426	89552	
	41308	41308	41308	41308	41308	41308	41308	41308	41308	41308	41308	41308	41308	
	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	
	47231	44818	50988	44057	45193	46098	38923	45406	47198	47319	49206	43669	550116	
<b>9. FOREIGN TRADE</b>														
	14182	16123	26801	20473	19146	29900	21688	31187	28472	26418	24520	24821	248580	
	1615	243	232	202	701	562	576	615	382	373	1284	370	5427	
	14213	15890	26527	20241	18443	28938	21116	30572	29090	25045	23246	26503	219962	
<b>12. TOTAL APPARENT SUPPLY</b>														
	271900	265908	284842	276926	275455	280119	263953	286241	286052	292183	297120	281176	1,467,176	
<b>13. REPORTED CONSUMPTION</b>														
	103400	103400	112740	108600	118000	118000	118000	118000	118000	118000	118000	118000	1,300,100	
<b>14. DIFFERENCE</b>														
	168500	162508	172102	171326	157455	162119	145953	169441	168052	174183	179120	163076	1,167,076	
<b>EXHIBIT A</b>														
	100868	97709	118234	104584	103309	116084	94016	112706	111611	113731	118237	106456	1,496,544	
			-1647	-4728	-3209	-4647	-2783	-5963	-8997	-2027	+1185	+3339	+1777	-5492
* Lead recovered from scrap by Primary Producers.														
** Official adjustment anti-inflating Bur. of Mines year-end adjustment.														
No accounting for Gov. stockpile shipments, although they could influence the stocks of consumers.														
<b>EXHIBIT B</b>														
<b>Final F SOURCE</b>														

Final F SOURCE

Final F SOURCE

3. It is capable of further manipulation by increasing the portion of antimonial lead stocks as "dead" stocks held for tax purposes or otherwise.

4. No machinery is provided for gathering the statistics required to measure the test of ratios specified.

5. It places a terrific burden on the Secretary of the Interior in interpreting the implementing action of the quota formula.

6. The only guaranteed minimum quota is allocated to the custom smelters. The remainder of the allocation as metal for the consumer is "flexible" and retrogresses everytime the ratio is tested.

7. Stocks measured for the ratio include those held "elsewhere." The Bureau of Mines does not report this classification. If they followed the definition of A.B.M.S., they could include those stocks on consignment or in warehouses anywhere in the World.

8. With the new developments in Southeast Missouri, plus modernization in other areas, there should be little fear of future prices because costs for 90% of the production will be quite low. Congress may still choose to protect the "little fellow" with the high-cost mine representing only a minority interest of about 10%.

9. The bill would stifle free International trade, contrary to the policy of the present Administration.

10. The bill might provoke retaliation against us in other commodities. Other Countries would also be encouraged to provide similar barriers which could effectively block the export trade of major lead producing Countries.

11. The bill would counteract all efforts by 24 Nations to promote the stabilization of lead and zinc commerce.

12. The effect of the bill, if passed, is to hit the CONSUMER where it hurts most—the pocketbook. Stifled competition can only end in higher prices.

(The charts supplied are in the files of the committee.)

Senator JORDAN. Are there any other witnesses here who wish to be heard, or who request permission to file statements at a later date?

We will keep this record open, if anyone wants it kept open, so that they may file later.

The hearings are closed. Thank you all.

(Whereupon, at 3:40 p.m., the committee adjourned.)

## APPENDIX

(Under authority previously given the following statements and communications were ordered printed:)

STATEMENT OF THE CANADIAN LEAD AND ZINC PRODUCERS BY THE MINING ASSOCIATION OF CANADA

The Mining Association of Canada, on behalf of the lead and zinc producing industry of Canada, appreciates the opportunity to state its views regarding the import restrictions proposed in Senate Bill 289 and respectfully submits the following statement.

1. The United States is far from self-sufficient in lead and zinc. Imports in 1966 accounted for 56% of zinc consumption and 33% of lead consumption.

2. Canada is the world's largest lead-zinc mine producer and in 1966 supplied 49% of U.S. total imports of zinc and 20% of U.S. total imports of lead. Growing U.S. requirements have been a significant factor in the development of large new Canadian lead and zinc mine production, both by Canadian and U.S. interests, and in the expansion of zinc smelter capacity by 88% including two new plants.

3. Before 1958, when import quotas were last imposed, U.S. consumption had been declining. Both metals had been in surplus for three years and prices had fallen significantly. Since that time, the industry has made substantial progress towards stability. Improved world statistics and related industry studies available under the United Nations Lead/Zinc Study Group have enabled producers to anticipate requirements. Over the past three years, mine production has been expanded to ensure adequate future supplies for the growing demand.

4. Conditions in the Free World lead and zinc industry have completely changed. Price stability has been achieved overseas for zinc, and a majority of zinc producers outside the United States have voluntarily reduced production to avoid excess stocks. The industry has strengthened its international organizations for research, development and promotion of lead and zinc. All these developments will continue to assist in balancing supply and demand and provide greater market stability.

5. Against this background of achievement, the adoption of Bill S. 289 would be a retrograde step, most especially in light of current efforts by the United States and other major trading nations, in the Kennedy Round, to reduce tariff and non-tariff barriers to trade. We wish to register firm opposition to any restrictions on imports of lead and zinc into the United States. U.S. consumers would be denied the security of regular and continuing supplies from logical, long-term foreign sources. Under quotas, alternative trade patterns would become established for foreign supplies which would not then be readily available to the U.S. consumer on removal of the quotas.

6. The immediate effect of quotas would be to divert substantial supplies to other markets, with consequent effects on prices and/or production. Exploration for and development of new mines outside the United States would be discouraged, setting the stage for further shortages, high prices and loss of markets through substitution. In addition, such restrictive trade action by the United States could promote a reaction by other world trading blocs.

7. Bill S. 289 is particularly pointed at Canada, traditionally the major supplier of imported lead and zinc to the United States, and is inconsistent with further development of mutually beneficial and co-operative trade relations between our two countries. Canada, as the major trading partner of the United States and as largest single market for U.S. goods, would bear the main brunt of any restrictions imposed.

## STATEMENT OF AUSTRALIAN EMBASSY, WASHINGTON, D.C.

The United States Government will recall earlier representations made by the Australian Government over the extended period from 1958 to 1965 when an import quota system for lead and zinc was in operation.

Although the Australian Government regretted the action taken by the United States at that time, it recognized that the quotas were imposed as a temporary measure to prevent injury to the United States lead and zinc industry.

The United States was in fact able to justify the temporary restrictions in terms of Article XIX of the General Agreement on Tariffs and Trade which permits emergency action against imports in certain circumstances.

However, in the judgment of the Australian Government, the provisions of the Bill S. 289 can hardly be justified on similar grounds in the light of our existing understanding of market circumstances.

Moreover, looking at conditions likely to apply in the foreseeable future, and noting announcements of expansion programmes by United States lead and zinc producers, it would not appear that imported supplies are threatening serious injury to domestic producers.

The domestic industry already has the protection afforded by a quite significant tariff on imports of lead and zinc. The United States, as a contracting party to the General Agreement, subscribes to that Organization's objective of substantially reduced tariffs and other barriers to trade and to eliminate discriminatory treatment in international commerce.

It would be most unfortunate if the principles of trade liberalisation and expansion embodied in the Trade Expansion Act of 1962 were to be compromised by the imposition of a further non-tariff barrier to trade with the United States. The Australian Government particularly regrets that strong pressure is being generated for the imposition of quotas at a time when the United States and Australia are making strenuous efforts to bring the Kennedy Round of trade negotiations to a meaningful conclusion.

In the Australian view, the quota system proposed in the Bill S. 289 can only serve to distort world marketing conditions for lead and zinc.

Since the United States is the world's largest market for overseas suppliers of lead and zinc the imposition of quotas at any stage would almost certainly lead to a diversion of supplies originally destined for the United States market on to the residual free market, with consequent disruption of the free market and fluctuations in price levels. The "stop-go" nature of the Bill, tied as it is to the level of domestic producers stocks over a short period, would appear likely to aggravate the instability of residual markets. Uncertainty with regard to availability of supplies would surely be contrary to the long term interest of all lead and zinc producers particularly as regards substitution by metals with a greater degree of market stability.

Although the United States market would be insulated from the full effects of world market instability, experience during the term of the previous quota system clearly showed the United States prices for lead and zinc were influenced by variations in world price levels.

Moreover, it will be recalled that during the operation of the earlier controls the United States Tariff Commission reported on a number of occasions that import quotas were in fact prejudicial to the long term interests of the domestic lead and zinc producers.

In the view of Australian Government, certain provisions of S. 289 would be even more inimical to the interests of Australian producers than those of the previous quota system.

(a) In contrast with the fixed quota levels of the previous system, the Bill envisages a system of retrogressive quotas on overseas suppliers by virtue of the fact that imports in each quarter are limited to 80 percent of the previous 10 quarters, in each successive quota period.

(b) The Bill makes no allowance for the influence of stockpile sales by the United States Government. This means that import quotas would be based on an import performance that had been lessened by stockpile releases. Exporters would therefore not be allowed to satisfy the full commercial shortfall.

(c) Australia, as a distant supplier to the United States, would be disadvantaged under the present proposals because of the substantial time involved in delivering a shipment from Australia. Australian suppliers could well be faced with a situation whereby an order contracted for a non-quota period was despatched only to find on arrival in the United States that quotas had been imposed, with no guarantee that the shipment would fall within quota entitlement.

Australia is the world's largest producer of lead and one of the major producers of zinc. Exports of lead and zinc which were valued at over \$A.143 million in 1965/1966 accounted for a significant percentage of Australia's total export earnings. In that year exports of lead and zinc to the United States were valued at \$A.24 million.

The Australian Government is not only concerned at the effect that the proposed legislation would have on the welfare of the Australian lead and zinc industry but also at the wider effects on the level of export income and the balance of trade with the United States.

Relying as it does on primary commodities for the bulk of its export earnings Australia is finding it increasingly difficult to expand its exports at a rate commensurate with its rapidly increasing imports of manufactured products from the United States and other developed nations.

A number of Australia's important primary commodities are already subject to the reality or the threat of quantitative limitation in the United States market, as is the case with meat and dairy products. The Australian Government is therefore gravely concerned at the possibility of quantitative restrictions on a further major segment of Australian commodity exports to the United States. Ten years ago Australia exported \$A.111 million to the United States and imported \$A.198 million in return. In 1965/1966 the figures were \$A.338 and \$A.703 million respectively. By 1965/1966 the trade gap had widened to \$A.365 million. Thus, this imbalance would be expected to worsen if the proposed legislation were implemented.

The Australian Government is appreciative of the leading role which the United States Administration has taken in opposing moves to introduce similar legislation in the past year.

It is the earnest hope of the Australian Government that forceful efforts will continue to be made in opposition to these attempts to isolate the United States lead and zinc market from the normal currents of world trade.

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THE ORE & CHEMICAL CORP.,  
New York, N.Y., April 7, 1967.

Re Lead and Zinc Act of 1967 (S. 289).

Hon. ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals, Materials and Fuels, United States Senate,  
Washington, D.C.*

SIR: We would like to submit for your consideration our reasons for opposing the enactment by Congress of the Lead and Zinc Act of 1967 and respectfully request that our statement be made a part of the record of the public hearing scheduled by your subcommittee for April 12, 1967 in Washington.

Our company, incorporated under the laws of the State of New York, has dealt in non-ferrous metals and minerals in the United States and abroad for more than forty years. We have regularly imported lead and zinc in the form of primary metals and serve a circle of distinguished customers in this country. We employ a staff of thirty persons and pay substantial amounts in taxes to the Federal Government, New York State and New York City.

We oppose the Lead and Zinc Act of 1967 for four reasons:

(1) As a matter of principle, import quotas for lead and zinc should not be the subject of a specific act of Congress.

(2) The application of lead and zinc import quotas would be contrary to the present policy of the United States and its best interests.

(3) Import quotas for lead and zinc are detrimental to the interests of consumers, importers and exporters in the United States.

(4) Flexible quotas for lead and zinc as proposed in Bill S. 289 are difficult to administer and present certain pitfalls.

We would like to make the following comments to these four points:

(1) To our knowledge, it has not been the rule in the past that Congress regulates, by specific acts, the importation of raw materials. It is our firm belief that this matter should be left to the executive branch of the government and that enactment of the Lead and Zinc Act of 1967 would set an entirely undesirable precedent.

While we concur with the postulation of the members of your subcommittee that the United States must have a "minerals policy", we feel certain that the application of import quotas would be a self-defeating and unconstructive means. The United States minerals policy should cover all minerals alike, it should

consist of a combination of imaginative tax incentives, a far-reaching exploration program, intensive educational and other assistance to mining communities, direct subsidies to mines in special cases and other measures which are within the prerogative of Congress.

(2) The Trade Expansion Act of 1962 was conceived and enacted in recognition of the fact that the United States as the leader of the free world best serves its own interests and those of other free nations by reducing barriers to free trade. It would be entirely inconsistent with the aims of this great act and the present negotiations in the "Kennedy Round" in Geneva if this country reintroduced import quotas for lead and zinc thereby hurting our good relationship with such friendly countries as Australia, Canada, Mexico, Peru and the countries of Western Europe. These countries, to protect their interests, would have to retaliate in one way or another and the free world would make a dangerous step backward into an atmosphere of protectionism and isolationism which the United States can ill afford.

Instead of seeking unilateral solution, the United States could strengthen the efforts of the United Nations Zinc Lead Study Group to stabilize lead and zinc markets on a multilateral basis.

(3) Import quotas of any kind (whether flexible or fixed) will cause the domestic lead and zinc prices to rise considerably above the world market levels. Consequently, the United States users of lead and zinc and the consuming public will be at a distinct disadvantage compared with consumers in other countries. United States exporters of products made from lead and zinc, or in the manufacture of which lead and zinc play a significant role, will not be competitive against foreign manufacturers which would be harmful to the policy of this country to increase exports of semi-finished and finished goods and thereby improve its balance of payments.

Comparatively high prices for lead and zinc are entirely detrimental to the finding of new applications for these metals and would cause the consumers to search for substitute materials. The users here were very badly hurt by the fixed import quotas for lead and zinc in recent years and therefore oppose strongly the reintroduction of any type of quotas, flexible or non-flexible.

(4) Flexible quotas for lead and zinc as proposed in Bill S.289 would be difficult and expensive to administer. Importers and their customers would be unable to enter into firm long-term contracts before quotas are set and afterwards there would be further uncertainty since through repeated lifting and reimposition the quotas could become constantly smaller.

The fixing of minimum percentages for imports of lead and zinc in the form of ores and concentrates provided for in Bill S. 289 is particularly detrimental to developing foreign countries which must export as much metal as possible in refined form rather than in crude form; it could even lead such foreign countries to ban the export of ores and concentrates to the United States unless it were prepared to take larger quantities of lead and zinc in refined form, causing much embarrassment to the United States and anxiety to the consumers.

By varying their stocks at-will, the United States producers of lead and zinc could influence the imposition, lifting, re-imposition and diminishing of the quotas. While we are convinced that the producers, whose integrity is well known to us, do not have any such intentions we feel, nevertheless, that a bill which would leave open the theoretical possibility for outside influence should not be enacted. We are certain that the important domestic producers of lead and zinc do not need the protection of import quotas as they are sufficiently strong, and produce cheaply enough, to compete in the United States and in foreign markets against other producers of lead and zinc.

In consideration of these reasons, we respectfully request that Bill S. 289 be not reported favorably out of your subcommittee and not be enacted by Congress.

Very truly yours,

E. MUGDAN, *Vice President.*

WOLVERINE DIE CAST CORP.  
Detroit, Mich., April 17, 1967.

HON. HENRY M. JACKSON,  
New Senate Building,  
Washington, D.C.

DEAR CONGRESSMAN: As you know, manufacturers of zinc die cast parts have frequently experienced grave difficulty in obtaining a necessary zinc supply to conduct their manufacturing operations.

My company, for one, has often been forced to search out inadequate quantities of zinc on the gray market at premium prices. I can assure you, sir, that the passage of Senate bill S. 289 will only serve to create such shortages as to seriously hamper the ability of all die casters to supply customers and to provide employment. This will ultimately adversely affect the entire auto industry.

I am appealing to you on behalf of our 400 employees at Wolverine Die Cast Corp. and also on behalf of the many thousands of employees in every section of our country who depend on manufacturers of die castings for their livelihood.

Please take a stand against Senate bill S. 289 which is designed to impose flexible quotas restricting U.S. imports of lead and zinc. Our industry must be responsive to market conditions demanding a continuing supply of zinc (our very life blood) which cannot possibly be available if this legislation is adopted.

Very truly yours,

FRANK H. BLADERGROEN, Jr.

JACK M. EHRHORN,  
MINING ENGINEER,  
April 21, 1967.

HON. HENRY M. JACKSON,  
Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR JACKSON: One by one the natural resource industries which are so basic to our economy are experiencing the effects of dumping. I am certain that you are well aware of our need for strength in these industries.

Senate bill S. 289, flexible lead-zinc quota bill, is based on reserving to our lead and zinc mines a climate under which they may operate continuously, profitably, and with growth. I have seen at firsthand the deplorable results to our lead-zinc mines during the thirties, the fifties and, I predict, the sixties if there be no reservation for these mines. I commenced my career in mining engineering in 1927 and presently am industrial development director for United States Smelting Refining and Mining Co. Removal of quotas without substituting some control over dumping is bringing results exactly as anticipated by what has happened in the past.

I urge your favorable consideration of this bill.

Sincerely,

JACK M. EHRHORN.

STATE OF ARIZONA,  
DEPARTMENT OF MINERAL RESOURCES,  
Phoenix, Ariz., April 12, 1967.

HON. HENRY M. JACKSON,  
Chairman, Senate Interior and Insular Affairs Committee,  
Room 3106, New Senate Office Building, Washington, D.C.

DEAR SENATOR JACKSON: May we record with your committee our support of the Lead-Zinc import quota bill S. 289, even although this will reach you after the announced date of April 12th for your hearings on the bill?

The domestic lead-zinc industry, including ours in Arizona, has been seriously injured in the past because timely protection against excessive imports was not available and we naturally are concerned with our one remaining lead-zinc mine above the class of very small producers. In 1964 it ranked 11th in lead and 12th in zinc production in the United States. It yields the bulk of our production. Its operation is a marginal one and therefore vulnerable.

We believe the flexible import quota plan proposed in S. 289 is fair and simple to carry out, and urge its adoption as a safeguard against further injury to the industry.

Yours very truly,

FRANK P. KNIGHT, Director.

IDAHO MINING ASSOCIATION,  
Bosie, Idaho, April 11, 1967.

Senator HENRY M. JACKSON,  
Chairman, Senate Committee on Interior and Insular Affairs, New Senate Office  
Building, Washington, D.C.

DEAR SENATOR JACKSON: The Idaho Mining Association respectfully submits for incorporation in the record of the April 12 hearing before the Senate Com-

mittee on Interior and Insular Affairs this statement of its strong endorsement and support of S. 289, the Lead-Zinc Act of 1967.

As one of the nation's major producers of both lead and zinc, Idaho's mining industry is firmly convinced that the flexible import quota plan this legislation would authorize offers the best avenue thus far proposed for maintaining in this country the sound and stable market that is essential to preservation of a healthy and vigorous domestic lead-zinc industry.

During the past few years our lead-zinc producers have enjoyed their fair share of the nation's economic prosperity, but they are gravely disturbed by ominous clouds which have developed since the fixed quotas established by proclamation in 1958 were removed by executive order in late 1965. The current upward trend of production, the marked increase in imports and the mounting levels of metal stocks are all threatening reminders of the severe depression the industry suffered in the late 1950's and early 1960's. Within the past year lead has dropped from 16¢ to 14¢ a pound and zinc, although still unchanged at 14½¢, is under heavy pressure from record-high 1966 imports and growing surplus stocks.

We believe the flexible quota plan provided by S. 289 would serve as an effective deterrent to excessive imports, thus providing protection against disastrous price declines. At the same time it would assure adequate supplies to the national economy at reasonable and equitable prices.

During the recently-concluded 39th Session of the Idaho Legislature, a joint memorial was passed without dissenting vote urging Congress to formulate and adopt a national minerals policy embodying the principle of flexible import quotas. We are enclosing herewith a tear-sheet from the Idaho State Senate Journal of March 14 in which that joint memorial was printed and we respectfully request that the memorial be included in the hearing record with this statement as added evidence of Idaho's vital interest in this legislation.

We strongly urge that S. 289 be given a favorable recommendation by your Committee and sincerely hope it will be enacted into law by the Congress.

Very truly yours,

A. J. TESKE, *Secretary.*

(The resolution referred to was introduced also by Senator Jordan and follows his remarks.)

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NEVADA MINING ASSOCIATION, INC.,  
Reno, Nev., March 31, 1967.

HON. HENRY M. JACKSON,  
*Chairman, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.*

DEAR SENATOR JACKSON: In line with our policy of backing the industry position, Nevada Mining Association endorses S. 289, the flexible lead-zinc import quota bill.

In addition, I personally endorse passage of this bill. My experience over some 37 years in Nevada, California and Utah operations, which were adversely affected by violent fluctuations in lead and zinc metal market prices, demonstrated to me that our Government has not had a policy based upon anything but expediency and short range objectives. Certainly, our domestic lead-zinc producers have been and will continue to be the only guarantee against skyrocketing prices in times of shortage.

Thus, it is clearly in the public interest to legislate some degree of protection for United States' producers during periods of excess foreign supplies which result in dumping, and to encourage exploration for and development of new mines.

Respectfully yours,

PAUL GEMMILL.

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MINING ASSOCIATION OF MONTANA,  
Butte, Mont., March 27, 1967.

HON. HENRY M. JACKSON,  
*Chairman, Interior and Insular Affairs Committee, United States Senate, Washington, D.C.*

DEAR SENATOR: We, of the Mining Association of Montana, would like to go on record in support of Senate Bill No. 289, known as the "Lead & Zinc Act of 1967.

The Lead & Zinc industry in Montana is in need of the additional protection that this S. 289 Bill would give it and we will do everything in our power to help you and your fellow Senators to promote its passage.

We hope the Senate Interior and Insular Affairs Committee will approve of S. 289 and the United States Congress will do likewise.

Yours very truly,

PETER J. ANTONIOLI,  
*Secretary-Manager.*

NORTHWEST MINING ASSOCIATION,  
*Spokane, Wash., April 7, 1967.*

Re S. 289: A bill to encourage stability and continuity in production of lead and zinc within the United States.

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs, United States Senate, Washington, D.C.*

DEAR SENATOR JACKSON: During the Korean war American lead and zinc mines, shutdown earlier by low prices existing before that time, were unable to increase production of lead and zinc fast enough to supply the demand. A ceiling on domestic lead and zinc prices existed, but prices of lead and zinc imports skyrocketed to as high as forty cents a pound for zinc. American citizens were forced to pay inflated charges to foreign producers during war time.

S. 289 is designed to prevent that from happening again by establishing flexible limits on imports which will maintain substantial domestic production of both metals. The accompanying price stability will assure the American people of dependable supplies of reasonably priced metals.

Yours very truly,

ESKIL ANDERSON, *President.*

UTAH MINING ASSOCIATION,  
*Salt Lake City, Utah, April 6, 1967.*

Re Flexible Lead-Zinc Quota Bill, S. 289.

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs, United States Senate, Washington, D.C.*

DEAR SENATOR JACKSON: The Utah Mining Association fully endorses S. 289 as a measure which would, if enacted, serve to maintain a reasonably equitable market in the United States for domestically produced lead and zinc. Domestic producers are still painfully conscious of the excessive imports, depressing volumes of metal stocks and disastrously low metal prices prevailing in the domestic market from the middle 1950's to the early 1960's.

The quotas on lead and zinc proclaimed by President Eisenhower in 1958 recognized and attempted to correct this flood, but recovery was extremely slow for the portion of the domestic industry which survived the deluge. It was not until 1964 that domestic prices began to reflect a return toward generally profitable levels. The average price of lead rose from 9.63¢ per pound in 1962 to 13.6¢ in 1964, and for zinc, in the same period, the price went from 11.625¢ to 13.57¢.

High levels of lead and zinc consumption in the U.S. and Europe in 1964-1965 and the first portion of 1966 reduced stocks and firmed prices. However, trends toward surplus production, increased stocks of metals and lowered prices are again taking threatening shape. The domestic price of lead dropped 2¢ per pound in two 1¢ stages, May 5 and October 10, 1966. The price of zinc has remained at 14.5¢ since it reached that level in October, 1964. However, zinc stocks held by smelters and consumers in the U.S. increased from 38,300 tons at the end of February, 1966 to 99,900 tons at the same date in 1967. As a result of swelling stock levels and in anticipation of further surpluses, several American companies have announced cutbacks in slab zinc production totaling about 7,000 tons per month.

The proposals contained in S. 289 are vitally needed now to offer protection against a recurrence of the damages sustained by the domestic lead-zinc production industry in the period briefly reviewed above. If the present trends toward surpluses, excessive imports and depressed prices fail to materialize, the

measure, if enacted, would offer the domestic industry a comforting assurance similar to the holding of a policy with a good medical and hospital insurance firm. We respectfully urge your Committee to act favorably on S. 289.

Very truly yours,

MILES P. ROMNEY, *Manager.*

NEW MEXICO MINING ASSOCIATION,  
*Santa Fe, April 3, 1967.*

Senator HENRY M. JACKSON,  
*Chairman, Senate Interior and Insular Affairs Committee, New Senate Office Building, Washington, D.C.*

DEAR SENATOR JACKSON: The New Mexico Mining Association strongly supports S. 289—Lead-Zinc Import Quota Bill—which was introduced by Senator Clinton P. Anderson and others.

The lead-zinc miners in New Mexico, like most other lead-zinc miners, have been subject to the ups and downs of the lead-zinc market, which have resulted for the most part from actions by foreign producers. Some degree of stability is sorely needed for the planning and programming of mining operations and production.

As you well know, many approaches have been proposed to solve the dilemma faced by the lead-zinc industry. It is our belief that the flexible quota approach embodied in S. 289 provides the most reasonable and workable solution to this problem at the present time. In our opinion, it overcomes the major objections which were raised to the Import Quota Proclamation of 1958, and at the same time, protects domestic producers against the excessive foreign imports which have been so damaging to our domestic industry in the past.

We commend Senator Anderson and the co-sponsors of S. 289 for introducing what we believe to be a very workable solution to our problems in New Mexico.

Sincerely yours,

WILLIAM F. DARMITZEL,  
*Executive Director.*

TRI-STATE ZINC & LEAD ORE PRODUCERS ASSOCIATION,  
*Picher, Okla., April 9, 1967.*

Senator HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.*

DEAR SENATOR: We here in the Tri-State District of Oklahoma, Kansas and Missouri are extremely concerned over the future outlook for the domestic lead and zinc mining industries.

Mining operations in this area are carried on by one large company, The Eagle-Picher Company and about twenty-five to thirty small independent mine operators. The Eagle-Picher Company operates a large custom milling operation which purchases the ores produced by the smaller independent operators, since the small operators cannot afford to have mills of their own to produce a saleable zinc concentrate. The Eagle-Picher Company has mines of its own from which its ore is milled through this large custom mill, along with ores from the small producers. Without the ores produced from the Eagle-Picher mines this mill could not be operated economically because there would not be sufficient and consistent production from the small operations to maintain reasonable milling costs.

The Eagle-Picher mines have been very marginal, and at times sub-marginal, for several years. If the prices of lead and zinc were to drop significantly, the Eagle-Picher Company would be forced to close both its mining and milling operations.

The Small Producers Bill would maintain the prices received by the small producers for their ores, but without a market for these ores by virtue of Eagle-Picher's mill being shut down, they would also be forced out of business.

As president of the Tri-State Zinc and Lead Ore Producers Association, I have appeared before many committees in Washington on behalf of the domestic lead and zinc industry, and I certainly worked very hard for the Small Producers Bill. However, in appearing before these various committees in behalf of this Small Producers Stabilization Act, I always made by position clear—that even though the Small Producers Stabilization Act would be of great help to the Tri-

State District, it was not a complete cure for all the ills of the domestic lead and zinc industry.

Therefore, Mr. Chairman, I urge the passage of S. 289 to maintain a necessary segment of the domestic lead-zinc mining and smelting industry and to encourage the exploration for and the development of new mineral reserves and to provide the consumer with adequate metal supplies.

The Eagle-Picher Company's inventory of slab zinc has been steadily building up over the past three months. This is, we believe, due to the combination of a slow-down in the use of zinc metal in the United States and an increase of zinc imports in the United States from foreign sources; and this is in the face of a decreasing U.S. mine production.

The threat of oversupply of the domestic market from imported lead and zinc becomes stronger each month with its attendant pressure on the lead and zinc price structure. Lead has already suffered price decreases and the increase in domestic inventories of zinc metal will almost surely lead to a decrease in the price of zinc. Some of the domestic producers of zinc have announced cutbacks in production, but our domestic zinc inventory buildup has not slowed.

In view of these conditions we believe that it is imperative that import quotas be instituted so that the domestic miners, both large and small, can have a fair share of the domestic market for lead and zinc, instead of being forced out of business by imports when a decrease of domestic or world usage of these metals develop.

Respectfully submitted,

TOM KISER, *President.*

INDEPENDENT ZINC ALLOYS ASSOCIATION,  
April 24, 1967.

Hon. HENRY M. JACKSON,  
*Chairman, Senate Interior and Insular Affairs Committee, 137 Old Senate Office Building, Washington, D.C.*

DEAR SENATOR JACKSON: The Independent Zinc Alloys Association attended the hearing of the Sub-Committee on Mines, Minerals and Materials on S. 289 on Wednesday, April 12, through its representative, Mr. R. M. Cooperman. Members of the Association are amongst the largest consumers of special high-grade slab zinc in the United States and sell approximately 50% of all zinc alloy marketed in this country.

The Association presented no position at the hearing, because the bill and its ramifications were the subject of discussions at a general meeting of the membership on Sunday, April 16, in Miami, Florida.

The IZAA recognizes the need for some control in the field of zinc imports into the United States. However, members feel that the remedies delineated in S. 289 are tied too closely to domestic industry production capabilities rather than to market conditions and concomitant imports.

Our current concensus supports and endorses the positions made in the statement of Mr. J. Cordell Moore, Assistant Secretary for Mineral Resources of the Department of the Interior, before the Sub-Committee on April 12.

We request that this statement be made a part of the record of the hearings before the Sub-Committee on that date.

Respectfully yours,

RICHARD J. BAUER, *President.*

AMERICAN SMELTING & REFINING Co.,  
New York, N.Y., April 18, 1967.

Senator HENRY M. JACKSON,  
*United States Senate,*  
*Washington, D.C.*

DEAR SENATOR JACKSON: I enclose a copy of our press release issued yesterday announcing the closing of our Van Stone mine at Colville, Washington.

There has been a large increase in mine production of zinc, particularly in Canada, which is now reaching the market. At the same time, lagging demand in the United States, reflecting in part the decline in automobile production, has lead to a 40,000 ton build-up in producers' stocks over the last six months. As is always the case, this build-up in producers' stocks is putting severe pressure on the domestic price of zinc. Already, special high grade zinc imported from abroad is being widely offered in the U.S. market at substantial discounts from

the U.S. price. We anticipate that this will be a growing problem in the months ahead.

In the light of these facts, we reluctantly concluded that we must close the Van Stone mine for an indefinite period. New mine and mine expansion projects now scheduled will increase free world mine capacity to produce both lead and zinc by about 20% over the next three years. Unless demand for these metals experiences a parallel expansion, the lead and zinc industry will face some difficult readjustments.

We have appreciated your support of the pending proposal to establish quotas on lead and zinc. Such legislation would help assure reasonable stability in the domestic market during this period of readjustment which lies ahead.

With kind regards,  
Yours sincerely,

CHARLES F. BARBER.

[From the American Metal Market, Apr. 18, 1967]

#### ASARCO TO SUSPEND PACIFIC NORTHWEST ZINC MINING SITE

NEW YORK.—Due to lagging demand for zinc the American Smelting & Refining Co. will suspend operations at its Van Stone mine, effective May 1, E. McL. Tittmann, chairman of the board, announced yesterday.

During 1966, the Van Stone mine, which is located at Colville, Wash., produced concentrates containing an average of 820 tons of zinc per month.

"This action was indicated by the current market outlook and the buildup of producers' stocks of refined metal," Mr. Tittmann said. The mine will be shut down for an indefinite period.

An open-pit operation, the Van Stone mine was first placed on stream by Asarco in 1952. Activities were suspended in mid-1957, and the mine remained closed until 1964 when it was re-activated to help meet increased market demand. The mine employs 55 men.

#### ACME METAL CO., SMELTERS & REFINERS OF WHITE METALS.

*Detroit, Mich., April 11, 1967.*

Hon. HENRY M. JACKSON,  
*Senate Committee on Interior and Insular Affairs,  
New Senate Building, Washington, D.C.*

DEAR SIR: This letter is in regard to Congressional bill H.R. 51 proposed by Congressman Aspinall, and identical Senate bill S. 289 proposed by Senators Anderson, Jackson, and Metcalf introduced on January 11, 1967. A public hearing has been scheduled for April 12th by the senate Subcommittee on Minerals, Materials, and Fuels.

This bill seeks to protect domestic American mining and refining of lead and zinc by the imposition of a flexible quota. In other words when the economy gets down to bare bones, its the American producer who will be kept in business. But what about the American consumer, the user of Zinc and Lead. This bill would deliver the future economic fate of the consumer into the hands of the producer by subjugating the supply needs of users to the considered best interest of the producer. What is good for the zinc and lead producer may be detrimental and opposed to the interest of the consumer and fair competition.

Our particular position is that of a custom smelter of zinc slab into zinc Anodes for plating. The lead and zinc act of 1967 greatly favors ore imports over slab metal imports of zinc. This gives the few American refiners of ore great control of the supply at all times because custom smelters and other users cannot refine ore.

The proposal provides that imposition and removal of the quota would be determined simply by the level of United States—domestic stocks held by producers. The only allowance made when considering quota removal other than producer's inventory would be the effect of strikes in the United States zinc producing industry. In addition the bill provides that when stocks reach the level at which the quotas should be removed a three months waiting period must elapse before the quota can actually be removed. If consumer demand is high the results of this waiting period would bring dire economic consequences to the zinc consuming industry. When demand slackens we would not be in a position to buy American or any other zinc. It would seem that the sponsors of this bill assume that if a user needs zinc or lead he has simply to order and receive. However many of the lead & zinc producers in addition to mining and refining also

manufacture products out of their metal in direct competition to us. In peak periods of demand the producers are not anxious to sell us zinc. A few years ago during the zinc and lead shortage of 1964-65 we repeatedly requested metal from American producers, without exception, not one producer demonstrated any interest in our appeals. We were supplied by a Canadian company who showed concern regarding our supply problem. The zinc we received from them plus the relatively small amount we purchased from the government stockpile enabled us to come through the shortage remaining in business. We cannot accept long term purchase orders or plan long production levels if a quota system which is supposed to be flexible but in fact would be unstable-controlled as I mentioned by producers-reported stocks is imposed on the American consumer. The reason is we would have no guarantee that our supply would be allowed in the country. This same situation will prevail with every other user of zinc except the large refiners in America. They will be the only producers able to honor their contracts because of the flexible tariff which they will control.

As an officer of a small American business using zinc metal I strongly object to Bill H.R. 51. It is intended to hand over to the few large producers in the United States virtually complete monopoly of the zinc market. It would enable the large producers who we may be in competition with on certain customized smelted products to put us out of business by the simple expediency of inventory manipulation to control the flexibility of the quot and suit their purposes.

Sincerely,

DAVID STERNS.

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THE MINERVA CO.,  
DIVISION OF MINERVA OIL CO.,  
Eldorado, Ill., April 10, 1967.

Senator HENRY M. JACKSON,  
*Chairman of the Interior and Insular Affairs Committee, Senate Office Building,  
Washington, D.C.*

DEAR SENATOR JACKSON: With reference to the public hearing on S-289, slated for April 12, to continue a revised flexible lead-zinc quota plan, may I here represent the Illinois-Kentucky domestic fluorspar industry. Every fluorspar producer of any size in this area can remain in business and continue to operate fluorspar mines and mills in the face of cheaply imported Mexican and European fluorspar, only by mining and processing ores containing zinc as a co-product.

It is a demonstrated fact of life that if the price of zinc declines by reason of foreign competition, this will put a severe hardship on the domestic producers of the very strategic mineral, fluorspar. You are undoubtedly aware that elemental fluorine from fluorspar is essential in the manufacture of uranium, and that derivatives of fluorspar, or fluorspar itself, is essential in the manufacture of aluminum, steel, welding rod coatings, glass containers, refrigerants, aerosols, heat resistant plastics, defoliants, pesticides, and a great list of fluorine based compounds vital to the war effort.

I urge that this statement be filed with those of the proponents for the passage of S-289.

Respectfully yours,

GILL MONTGOMERY.

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CHIEF CONSOLIDATED MINING Co.,  
Eureka, Utah, April 10, 1967.

Re Flexible Lead-Zinc Quota Bill, S. 289.

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
United States Senate,  
Washington, D.C.*

DEAR SENATOR JACKSON: This company urges favorable action on S. 289 by your committee. This legislation is imperative if the domestic producers of lead and zinc are not to be flooded again by foreign production which is already weakening the prices of these two metals in the Free World Area.

The newspapers recently announced that the facility of the Texas Gulf Sulfur Company at Timmins, Ontario would produce some 250,000 tons of zinc concentrate this year. At the present time most of this production seems scheduled of U.S. smelters. The large increase in metal which this will produce is bound to depress the price.

New domestic lead production in the order of 200,000 tons a year, which is scheduled to come from the Missouri lead belt in 1968, will eliminate the necessity of most foreign imports of this metal, and swelling stocks are certain to again drive the lead price below the economic production level of many U.S. producers.

The proposals contained in S. 289 are essential now to maintain a healthy domestic industry and we again urge favorable action by your committee on this bill.

Sincerely yours,

CECIL FITCH, Jr., *Chairman.*

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CITIZENS COMMITTEE FOR STABILIZATION,  
*Flat River, Mo., March 28, 1967.*

Senator HENRY M. JACKSON,  
*Chairman, Interior and Insular Affairs Committee,  
United States Senate,  
Washington, D.C.*

DEAR SENATOR JACKSON: We have given careful consideration to S. 289, the Lead-Zinc Flexible Import Quota Bill, and have come to the conclusion it will be of great assistance in stabilizing the industry. Certainly, there must be some better plan than that followed in past years when the miners, millers and processors suffered from wide fluctuation in both price and demand.

The imposition of quotas, sensibly administered, should not seriously disturb our relations with foreign producers. On the contrary, it should be of some assistance in preventing the feast or famine condition that prevailed in recent years.

The substantial investments being made by producers in the industry should be protected, and the jobs of workmen insured. This committee, therefore, urges the passage of this important piece of legislation and are making known to our friends in Congress our feelings in this matter.

Yours very truly,

T. J. WATKINS, *Chairman.*

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UNITED STATES SMELTING REFINING & MINING CO.,  
*Salt Lake City, Utah, April 8, 1967.*

Hon. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.*

DEAR SENATOR JACKSON: For many years United States Smelting Refining and Mining Company has been and now is a major domestic producer of lead and zinc, with operations in Utah and New Mexico. We believe the flexible Lead-Zinc Quota Bill, S. 289, will fairly stabilize the market for domestic lead-zinc and avoid unfortunate conditions which prevailed a few years ago. Largely because of very low metal prices caused by excessive imports and large stocks of lead and zinc, this Company closed down its New Mexico operations for several years in the 1950's. When lead and zinc prices increase, operations there were resumed.

We are very much concerned that unless some action is taken which changes the present trend of excessive imports and surplus production of lead and zinc, stocks of these metals will become so large there will be further price decreases. We are not undertaking to marshal statistics supporting our concern, as we believe they will be effectively presented at the hearing.

We strongly support S. 289.

Very truly yours,

BENTON BOYD,  
*Vice President and General Manager of Western Operations.*

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THE EAGLE-PICHER CO.,  
CHEMICALS AND METALS DIVISION,  
*Cincinnati, Ohio, March 17, 1967.*

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
*New Senate Office Building,  
Washington, D.C.*

GENTLEMEN: We have been advised that Public Hearings will be held on April 12 on S. 289, a bill to stabilize the Lead-Zinc Industries of the United

States. No one from Eagle-Picher Industries is expected to present a statement before the Committee, however we did want to advise that we are strongly in favor of this legislation.

Undoubtedly, evidence will be submitted that will show that the Lead and Zinc Industry of the U.S.A. needs flexible quotas in order to take remedial action against the huge imports of metals experienced in the past during general poor business conditions. We also feel most strongly that legislation should be enacted before business conditions are such that our industry will suffer an unfair burden of world production.

Very truly yours,

D. R. CARTER, *Vice President.*

—————  
TWENTYNINE PALMS, CALIF., *April 11, 1967.*

HON. HENRY M. JACKSON,  
*Chairman, Interior and Insular Affairs,*  
*U.S. Senate, Washington, D.C.:*

We have been notified that Senate Interior and Insular Affairs Committee is holding a hearing on S. 289, the Lead and Zinc Act of 1967. That would provide a reasonable minerals policy and encourage investments in this vital industry. The California Mine Operators Association endorses and supports this legislation. We urge your committee to report it favorable to the Senate. We urge adoption of this measure by the Congress.

CALIFORNIA MINE OPERATORS ASSOCIATION,  
EDWARD ARTHUR, *Managing Director.*

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[From the Wall Street Journal, May 2, 1967]

ZINC PRODUCERS MAKE FIRST PRICE CUTS SINCE 1962—RISING INVENTORIES, IMPORTS, DEMAND LAG CITED IN TERMS OF UP TO 1 CENT A POUND—AUTO OUTPUT A FACTOR

NEW YORK.—Three major producers cut prices on domestic zinc by  $\frac{3}{4}$  cent to 1 cent a pound, the first reductions since April 2, 1962.

The cuts were announced by American Smelting & Refining Co., Anaconda Co., and St. Joseph Lead Co.

American Smelting, first to announce the price cuts, attributed the reductions to lagging U.S. demand, rising inventories and increased imports of lower priced foreign zinc.

Each company announced that its new price for prime Western grade zinc at East St. Louis, Ill., is  $13\frac{3}{4}$  cents a pound. That's down  $\frac{3}{4}$  cent a pound from the  $14\frac{1}{2}$  cent level at which zinc had held since Oct. 14, 1964. Between 1962 and 1964, the price rose 3 cents a pound from the  $11\frac{1}{2}$  cent level of April 2, 1962.

#### HIGH GRADE PREMIUM ALSO CUT

Each company also reported it has cut the premium charged for special high grade zinc, over the prime Western price, to 1 cent a pound from  $1\frac{1}{4}$  cents. That puts the special high grade price at  $14\frac{3}{4}$  cents, down 1 cent. They also cut premiums on high grade zinc to 0.85 cent a pound, down from 1.01 cents. That puts the high grade price at 14.6 cents, off 0.91 cent.

Domestic zinc shipments in the first quarter dropped to 261,098 tons from 274,406 in the like 1966 period. Inventories March 31 climbed to 87,909 tons from 28,804 a year earlier.

The zinc industry has been particularly hurt by the decline in auto production. About 191 pounds of zinc are used in the average auto. In 1966, zinc consumption by the U.S. auto industry dropped to 408,000 tons from 440,000 the year before, and it is estimated use declined further in the first quarter this year. The decline in housing starts has also reduced zinc consumption.

## STEADY DROP IN FOREIGN PRICES

Downward pressure has been exerted on U.S. zinc prices by a steady decline in foreign zinc prices. Zinc closed on the London Metal Exchange yesterday at 12 $\frac{1}{4}$  cents a pound for immediate delivery and 12 cents for three-month delivery, both down  $\frac{1}{4}$  cent a pound. It is estimated foreign zinc delivered in the U.S. costs about 1 $\frac{1}{2}$  cents to 1 $\frac{3}{4}$  cents more per pound than the London Metal Exchange quota, reflecting duties and transportation costs.

St. Joseph Lead announced in March a 13% cutback in its zinc smelter output, and American Smelting announced in April the closing of a zinc mine at Colville, Wash. Both attributed the moves to the buildup in zinc stocks.

Most other zinc producers and marketers reported they are studying the price cuts.

[From the Journal of Commerce, May 2, 1967]

## ZINC PRICE CUT BY THREE PRODUCERS

(By Tony Gampetro)

American Smelting and Refining Co., St. Joseph Lead Co. and Anaconda Co., major producers of zinc, announced yesterday a  $\frac{3}{4}$ c per pound cut in the price of prime western grade zinc to 13.7c, effective immediately. Other producers were studying the move and were expected to follow.

The reductions reflect the spreading gap between the price for the metal in London (approximately 12 $\frac{1}{2}$  cents per pound yesterday), which has brought about an increase in imports, and a lag in demand for zinc in the U. S. with a heavy buildup in producers stocks as a result of reduced auto production.

## PRICES LISTED

Premium prices on high-grade and special high-grade zinc were also lowered in price by  $\frac{1}{4}$  cent per pound.

High grade metal was reduced to a premium price of 0.85 cents a pound, making the price 14.60 cents a pound and special high grade carries a new premium of 1 cent a pound or a total price of 14.75 cents a pound.

Imports jumped to a record high of 798,708 tons (in all forms) in 1966, almost 200,000 tons greater than in 1965 when imports for the year were still under quota restrictions.

Restrictions were lifted late in 1965, and 1966 was the first full year since the late 50's that zinc imports were free of restrictions.

Opposition by the Johnson administration to the imposition of lead and zinc import curbs at a time when the two industries have fallen on bad times is looked on by many in the industry as unfavorable.

Last week the Senate Interior Committee unanimously voted to report legislation providing for flexible import controls.

The legislation now goes to the Senate Finance Committee which has jurisdiction over quota and other tariff measures and which has been reported to be unsympathetic to such lead-zinc bills in the past.

This hurdle, plus strong administration opposition, makes it very likely that the bill will not go much farther on its own. It remains a good possibility for being offered as an amendment to general trade legislation later this year.

The bill would use a predetermined U.S. domestic stock level as a trigger for imposition of import quotas on the two metals, their ores and concentrates and manufactured items.

Early in February, St. Joseph Lead Co. trimmed slab zinc output in its Joseph-town, Pa., zinc smelting division due to depressed demand from the auto industry and increasing unsold stocks at its plants. The company cutback first quarter output by about 5,000 tons and second quarter production by approximately 6,500 tons.

## PRODUCTION RISE

At the same time, Matthiessen and Hegeler Zinc Co., effective March 10, reduced its slab zinc output by 400 tons per month.

The automotive industry, heavyweight consumer of zinc, uses the metal in die castings for functional as well as decorative applications and as a coating (galvanizing) on steel sheets for underbody car components as a foil against corrosion.

The daily average production rate of domestic slab zinc fell to 3,052 tons in March from 3,199 tons in February and 3,251 tons in January as a result of the cutbacks by smelters.

Unsold slab zinc stocks at smelter's plants at the close of March stood at 87,909 tons, compared with 83,849 tons a month earlier and 28,804 tons a year ago. In addition, stocks held elsewhere increased 20,248 tons from 17,425 tons at the end of February and 8,882 tons reported a year ago.







