GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/77/Add.1
21 July 1970

Limited Distribution

Committee on Trade and Development

Original: English

TARIFFS ON COPPER AND COPPER PRODUCTS

Note by the Secretariat

Addendum

At the request of the European Communities there were circulated in COM.TD/77, for the information of contracting parties, certain comments regarding the calculation of "effective incidence" as described in the secretariat copper study (COM.TD/71).

The delegation of the United States has now forwarded for circulation the following note regarding United States copper prices.

The EEC's analysis of United States copper prices is guilty of the same simplistic approach - the "single input coefficient" - that it criticizes in the GATT document COM.TD/71. One cannot speak of a single price of copper in the United States, but of at least three principal ones.

The price used by the EEC in comparing the United States copper price to those of the LME is the producer price of November 1969. The gap has narrowed considerably since that time. The United States producer price is presently at 60 cents per pound, or 10 per cent below the world copper price as quoted on the LME, not 30 per cent. For this reason alone, it is misleading to speak of the United States maintaining prices at a level 30 per cent below the world price. Moreover, the price of copper raw material to United States mills, as quoted to the fabricators, is a price which represents the blended cost of producer price copper (accounting for 47 per cent of copper consumed), imported copper (about 6 per cent) and secondary copper (scrap about 47 per cent). This cost, referred to in the trade as the blended cost or price, was 59 cents per pound in November 1969 (Metals Week) and 66 to 68 cents per pound on 18 June 1970. The New York Commodity Exchange quotes on 18 June were as follows: 66.89 - foreign export price; 66.35 - COMEX; 68 to 68.25 - New York merchant price for July copper. Without actually computing the "effective incidence", we believe that use of these correct cost data will roughly substantiate the rates in COM.TD/71 and clearly refute the EEC contention of 30 per cent United States protection and 22 per cent "effective incidence" additional to that shown in the study.

Concerning United States short supply export controls on copper, we would reply that these measures were dictated by our multiple-price system and not in order to perpetuate it. The measures, examined every semester and often altered, were instituted in 1965 in recognition of factors stemming from a lower United States producer price and the extraordinary demand for copper relating to the South-east Asian conflict. They have been maintained because of the continuance of short supply, multiple prices for copper in the United States and continued high military demand.

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