

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

Copper

The following communication, dated 7 August 1984, has been received from the Permanent Mission of the United States.

On July 16, 1984, the United States International Trade Commission (USITC) reported to the President its findings and conclusions in an investigation of imports of black, blister and anode copper provided for in item 612.03 of the Tariff Schedules of the United States (TSUS) and unwrought copper, other than alloyed, provided for in item 612.06 of the TSUS. The USITC determined that increased imports of unwrought copper have caused serious injury to a domestic industry producing a like or directly competitive article in the United States.

The USITC was divided in its recommendation to the President regarding the appropriate remedy for the injury to the U.S. copper industry. Two Commissioners found and recommended that a tariff increase of five cents per pound over present rates of duty is necessary to remedy the injury. Two other Commissioners found and recommended that it is necessary to impose quotas for the five year period beginning July 1, 1984, as follows: (1) for unwrought copper, other than alloyed, provided for in TSUS item 612.06, a quota of 375,000 short tons of which 25,000 short tons would be allocated for wire bar; (2) for blister, black, and anode copper provided for in TSUS item 612.03, a quota of 50,000 short tons. One Commissioner recommended that the President provide no relief.

The USITC's report notes that imports of blister copper have increased in an erratic fashion from 27,112 short tons in 1979 to 51,095 short tons in 1983. Imports of refined copper increased from 224,711 short tons in 1979 to 506,586 short tons in 1983, an increase of 282,000 short tons. In percentage terms, 1983 imports of blister and refined copper exceed their 1979 levels by 88 percent and 125 percent respectively. These imports have captured an increasing share of the U.S. copper market, with the ratio of copper imports to U.S. consumption of copper rising from 9.5 percent in 1979 to 25.8 percent in 1983.

With respect to serious injury to the U.S. copper industry, the USITC's report shows that U.S. copper mine, smelter, and refinery production declined significantly during the period under investigation. U.S. copper mine production fell from 1,592,000 short tons in 1979 to 1,153,000 short tons in 1983. Smelter production fell from 1,539,000 short tons in 1979 to 1,088,000 short tons in 1983, while during the same period

refinery production fell from 2,219,000 short tons to 1,746,000 short tons. Shipments of U.S.-produced blister copper declined from 1,398,000 short tons in 1979 to 776,000 short tons in 1982 and 819,000 tons in 1983. Shipments of refined copper fell in similar fashion from 1,829,000 short tons in 1979 to 1,331,000 short tons in 1983. These declines in production and shipments were accompanied by sharp declines in capacity utilization. Capacity utilization for copper mining operations fell from a high of 88.9 percent in 1981 to 65.1 percent in 1982 and 59.8 percent in 1983. Capacity utilization for smelting operations declined similarly from a high of 82.6 percent in 1981 to 60.2 percent in 1982 and 56.8 percent in 1983, while capacity utilization for refinery operations fell from 87.1 percent in 1981 to 62.0 percent in 1983.

The ITC's report notes that the financial condition of the copper industry also declined sharply during the period under investigation. Gross profits in the industry fell \$820 million in 1979 to losses of \$523 million in 1982 and \$211 million in 1983. The industry's ratio of income to sales fell from positive ratios of 12.6 percent in 1979 and 3.6 percent in 1980 to losses of (9.3) percent, (33.5) percent, and (16.4) percent in 1981-83. These losses have prevented the industry from investing in modernization projects and programs to reduce production costs.

Employment in the copper industry fell sharply from 43,010 workers in 1981 to 33,881 workers in 1982 and 26,292 workers in 1983.

Under Section 202 of the Trade Act of 1974, the President has 60 days to determine what method and amount of import relief he will provide, or determine that granting import relief is not in the national economic interest of the United States. The President is not bound by the recommendation of the USITC and can choose another remedy or deny import relief entirely.

The current column one rates for the two TSUS items affected by the USITC recommendation are as follows:

- (1) Unwrought copper, other than alloyed, provided for in item 612.06 of the TSUS. Current rate of duty: 1 percent ad valorem.
- (2) Black copper, blister copper, and anode copper provided for in TSUS item 612.03. Current rate of duty: 1.2 percent.

On January 1, 1976, imports of blister and refined copper provided for in TSUS items 612.03 and 612.06 from countries designated as beneficiary developing countries became eligible for duty-free treatment under the Generalized System of Preferences (GSP). This duty-free status could not continue if import relief is granted.

Measured in thousands of dollars, recent U.S. imports of blister copper provided for in TSUS item 612.03 were as follows:

	1979	1980	1981	1982	1983
Chile	19,150	79,949	20,449	118,956	52,223
Mexico	290	474	6,311	4,985	7,570
Peru	19,743	2,238	21,838	13,764	4,581
Egypt	---	---	---	---	1,289
Austria	---	---	---	---	221
Canada	15	51	24	2,564	59
W. Germany	---	---	127	316	44
U.K.	---	---	---	---	2
Belgium	358	87	81	1,665	---
All Other	---	3,480	1,798	---	---
TOTAL	39,556	86,279	50,627	142,249	65,989

Measured in thousands of dollars, recent U.S. imports of unwrought copper other than alloyed provided for in TSUS item 612.06 were as follows:

	1979	1980	1981	1982	1983
Chile	144,776	212,688	216,287	213,549	393,229
Canada	130,021	286,909	156,383	105,239	146,651
Zaire	3,000	11,201	37,443	30,520	45,301
Peru	42,091	61,034	60,032	12,437	39,568
Zambia	28,571	136,938	80,124	18,931	37,671
Japan	---	206,591	10,962	19	14,714
Rep. of S. Africa	1,886	917	---	---	11,658
Belgium	1,451	4	3,464	1,615	8,636
Ghana	---	---	---	---	5,641
Rep. of Korea	---	---	---	3,004	4,756
All Other	35,774	18,979	17,390	9,339	2,738
TOTAL	387,570	935,262	582,085	394,654	700,564

Further details are contained in the USITC's Report to the President, Unwrought Copper, Inv. No. 201-TA-52, USITC Publication No. 1549. This report will be available at the Office of the U.S. Trade Representative in Geneva.

Since the President's decision may require action that would be subject to GATT Article XIX, the United States is ready to consult with the CONTRACTING PARTIES and with those contracting parties having a substantial interest as exporters of the product concerned with respect to the proposed action.