BALANCE OF PAYMENTS

Not insignificant in current considerations is the probable effect of the proposed program on the U.S. balance-of-payments problem.

Under the proposed standby flexible quota program, imports inevitably would be reduced voluntarily or under quota. It is not possible to project the full degree of voluntary restraint on imports that would be generated by a standby quota, but it is certain that imports would have to trend downward toward quota levels or reach them.

A summary appended to this statement shows the approximate reduction in imports and the degree to which major exporting countries would be affected, on the assumption that imports of zinc and lead would be at the proposed quota levels.

The balance-of-payments gain could eventually be in the order of some $83 million annually.

It is significant that the impact does not fall heavily on any major exporting country, but is fairly evenly spread.

CONSEQUENCES OF FAILURE TO PROVIDE FOR RESTRAINT OF IMPORTS

The U.S. zinc and lead industries are approaching another crisis similar to the one encountered in 1957–58, when the last big influx of foreign material broke our market and forced the closure of many mines, and operation of others on an unprofitable basis.

At this time the situation is more serious, because the industry is now beset with burgeoning expansion of mining and smelting facilities in foreign countries, with much of it avowedly aimed at capitalizing on the U.S. market, which, without restraints, is increasingly at their disposal. They have shown their hand since quotas were terminated.

Unless there is action to arrest the trend, which is history repeating itself, the following consequences must be forecast.

Imports will continue to increase. Expansion of mining and smelting facilities abroad, either in being or projected, presage surpluses over the next several years, a forecast that is universally accepted.

As in the past, the target for moving surplus production in foreign countries will be the U.S. market. Foreign producers will invade this market by lowering prices, as they have done before, and are now doing, to levels that are not economic for U.S. mines.

Many U.S. mines will be forced to close down or curtail operations to make room for foreign material, and U.S. smelters will be faced with the choice of accumulating unmanageable stocks or severe cutback in production.

The last time all this occurred, the result was knocking down U.S. mine production of zinc to 412,000 tons in 1958 from a level of 600,000 tons attained in earlier years. Lead mine production was cut down to below 250,000 tons from previous levels of about 400,000 tons. Producers were forced to accumulate stocks greatly in excess of normal working stocks.

Complete calamity was avoided only by the imposition of quotas in 1958.

All of this could happen again, and probably with more impact, because U.S. mines, in an industry where labor costs run as high as 60