GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ROME TREATY

JOINT CONSULTATIONS UNDER ARTICLE XXII

Consultation with the Member States of the European Economic Community on Lead and Zinc

Agreed Minute Submitted by the Participating Contracting Parties

- 1. The consultations on lead and zinc under Article XXII of the General Agreement with the Member States of the European Economic Community were held in Geneva on 7 and 8 December 1959. The consultations took place at the request of the Government of Australia.
- 2. In addition to the Member States of the EEC, the following other contracting parties participated in the consultations: Australia, Austria, Canada, Norway, Sweden, the Union of South Africa and the United Kingdom. The Chair was taken by Mr. Cappelen (Norway). The discussions took account of the Working Party's Report on Lead (L/805/Add.12).
- 3. In order not to burden the minutes and since the views expressed individually by the representatives of each third country were generally shared by the others, these views are recorded as the views of "representatives of participating countries other than the Six".
- 4. Certain statistical information on production and trade in lead and zinc are given in the annex to this report.

Introduction

5. Representatives of participating countries other than the Six explained that the consultations had been requested to enable them to present their views prior to the negotiation by the Six of the common tariffs for lead and zinc ores,

concentrates and metals. They had asked for consultations in order to urge that these tariffs should be fixed at zero. These representatives went on to say that they appreciated the goodwill and spirit of co-operation in which the Six were participating in the consultations and they recognized that the Six would probably not, at the present time, be able to take a position on the views which they would put forward. They hoped, however, that the representatives of the Six would convey these views to their Ministers, so that they would be taken into account when the common tariff rates for lead and zinc were being negotiated.

6. The representative of the Six said that the Six had agreed to enter into consultations on lead and zinc on the conditions laid down by the Intersessional Committee and accepted by the six governments of the Member States. He recalled that, in the letter of acceptance addressed by the Chairman of the Council of the Community to the Chairman of the CONTRACTING PARTIES, the Six stated that consultations could only deal with specific cases arising out of the application of the Treaty of Rome by one or several Member States of the Although, in the present case, the existence of a specific case was hardly conceivable in view of the fact that the Member States had not even completed negotiations between themselves on the common tariff rates to be applied to the products under consideration, the Six had not opposed the request for consultations by the Australian Government. However, the Six wished to make it clear that this did not affect in any way the conditions referred to above.

Importance of the European Economic Community in International Trade in Lead and Zinc

- 7. Representatives of participating countries other than the Six pointed out that the countries constituting the EEC accounted for about one fifth of total world consumption of both lead and zinc.
- 8. In 1957, production of <u>lead ores and concentrates</u> in the EEC amounted to 146,800 tons, while smelter production of <u>lead metal</u> (including some scrap) totalled 412,800 tons. Imports of lead ores and concentrates from outside the EEC amounted to 186,400 tons in 1957.
- 9. The Six were also substantial importers of unwrought lead and in 1957 imported in all 165,800 tons of lead bullion and refined lead, i.e. about one quarter of the quantity of unwrought lead moving in international trade. Imports from third countries amounted to 129,000 tons.

- 10. The Six where large producers of <u>zinc metal</u> and smelter production in 1957 amounted to 652,700 tons. The metal content of <u>ores and concentrates</u> production in 1957 was 297,100 tons, while the metal content of imports of ores and concentrates into the EEC totalled 369,000 tons.
- 11. The Six were both importers and exporters of zinc metal, but were net exporters; in 1957 the Six imported 102,200 tons and exported 191,300 tons. In 1957 trade in zinc metal among the Six themselves amounted to 49,400 tons.
- 12. Representatives of participating countries other than the Six gave the following figures indicating the difference between smelter production and mine production within the EEC:

Smelter production ('000 metric tons)

1958

		per descentation								-	200			
Lead	422	(17%	of	world	production	1)		421	(24%	cf	world	producti	on)	
Zina	657	121%	11	11	17	١		643	125%	11	11	11	1	

1957

Mine production (1000 metric tons)

1957

Lead	147,000	(Germany, France, Italy) i.e. 6% of world production
Zine	297,000	(Germany, France, Italy)

Looked at as a whole, therefore, it was reasonable to claim that the smelting industry of the EEC was geared to process the production of other countries rather than that of the Six themselves.

13. Representatives of participating countries other than the Six laid great emphasis on the importance of the markets of the Six for exporting countries. In the case of South Africa, for example, about 50 per cent of its exports of lead and zinc ores and concentrates went to EEC countries; in the case of Australia, exports to EEC countries of some of the products under consideration amounted to about 23 per cent of the total exports of those products. Further, representatives of participating countries other than the Six stressed the great importance of the markets of the Six to certain under-developed countries. For example, the trusteeship territory of Tanganyika sent the whole of its exports of lead to the Six.

Justification for Duty-Free Entry into the Member States of the EEC

(a) Lead and Zinc Ores and Concentrates

14. The representatives of participating countries other than the Six referred to the heavy dependence of the EEC on imported supplies of lead and zinc for their total requirements (see paragraph 12). They asked whether it would not be inequitable if, as a result of the imposition of duties on raw materials,

these outside suppliers were denied access to this smelting capacity and the opportunity which the existence of this capacity gave them of supplying the expanding market of the Six on an economic basis.

- 15. These representatives then referred to the difficulties recently experienced by the lead and zinc mining industries and stressed that it was especially important that access to important markets should not be affected by measures taken by major importers. Export possibilities to protected markets must decrease as internal production increased. Particular concern was also expressed concerning the possible effects of such measures on consumption. A decline in consumption would have serious effects on the export proceeds of exporting countries, including under-developed countries, and could impede the development of particular areas where increased mining capacity existed. Further, it was pointed out that a duty of even 1 per cent on lead and zinc concentrates would represent roughly 8 shillings per ton in the case of lead and 4 shillings per ton in the case of zinc concentrates; sales of such concentrates to one country or another were influenced by even smaller differences than these. Thus a duty on ores and concentrates should be considered in relation to the conversion costs.
- 16. Representatives of participating countries other than the Six pointed out that there could, in fact, be only two reasons for the imposition of a tariff. One was the protection of the mining industry within the Member States of the Community and the other the protection and preferential access to the market of the Six for the Associated Overseas Territories.

(i) Protection of Mining Industry within the Member States of the Community

- 17. Representatives of participating countries other than the Six pointed out that it was for the Six to determine whether the benefits to be gained from protecting high-cost mining would outweigh the disadvantages that would result therefrom. These disadvantages would include (a) the increase in European costs; (b) the effects on consumption, especially of lead, for which the long-term outlook was questionable; (c) the effect on third country suppliers; and (d) consequential effect on EEC exports to those suppliers.
- 18. Currently, imports of lead and zinc ores and concentrates from all sources into the EEC (except Italy) were afforded duty-free entry. Italy had a legal tariff of 5 per cent, but in 1957 Italy imported only 400 tons of lead ores and concentrates and its imports of zinc ore were nil. A tariff above zero was not justifiable on the basis of the existing levels of duty in the constituent countries of the EEC. Italy, which imposed tariffs at present, had only a negligible trade; moreover, it produced only one eighth of total EEC requirements of lead ores and concentrates and only one fifth of total EEC requirements of zinc ores and concentrates. It was very questionable whether protection was justified for part of an industry which supplied such a small proportion of total EEC requirements. It was also pointed out that to take a straight arithmetic average of the duties of the Six was to ignore the large volume of trade passing over the lower duty barriers and would thus create higher barriers to trade than had previously existed.

19. Representatives of participating countries other than the Six said they were aware that social problems might arise if particular mines were denied protection, but it was their view that there were other ways of dealing with these problems which would avoid causing major disturbances in such an important industry as the non-ferrous metals industry.

(ii) <u>Protection and Preference for Associated</u> Overseas Territories of the Six

- 20. Referring to damage which could arise in any preferential association between the EEC and the Associated Overseas Territories in respect of lead, representatives of participating countries other than the Six pointed out that they had already expressed concern and that they regarded the arguments set out in the report on lead of the Working Party on the Associated Overseas Territories (L/805/Add.12) as still valid. As regards protection and preferences for the Associated Overseas Territories, the representatives of participating countries other than the Six pointed to the differences which applied in the case of lead and zinc ores and concentrates as compared with, for example, coffee and cocca, on which consultations had already been held with the Six. In the case of lead and zinc the protection of mining industries within the Six would result in the Associated Overseas Territories automatically enjoying preference in terms of the Treaty of Rome. Conversely, if the Associated Overseas Territories were given preference, the result would be protection for the mining industries within the Six.
- 21. Duties higher than zero would clearly confer a price advantage on producers in the Associated Overseas Territories, who would also have the assurance of a duty-free market in the EEC. A preference of say 5 per cent would give a significant price advantage to these producers approximately £ Sterling 4 per ton for lead and £ Sterling 4-10 for zinc. The low-cost efficiency of third countries producing these metals could be reduced or nullified by such preferences and production within the Associated Overseas Territories would be artificially stimulated. Representatives of participating countries other than the Six gave examples of lead and zinc production in the Associated Overseas Territories which could be further developed if a preference were given. Moreover, this development could receive an additional incentive through an increased flow of private EEC capital and of capital from the \$580 million Development Fund into the lead and zinc mining and smelting enterprises of the Associated Overseas Territories; such investment might not take place (at least to the same degree) in the absence of a tariff preference.
- 22. Representatives of participating countries other than the Six expressed their particular concern at the effects the introduction of a preference for the Associated Overseas Territories of the Six would have on other dependent territories in Africa. Dividing one part of Africa from another by special preferential arrangements could have serious political as well as economic effects. They pointed out moreover that, in the case of lead and zinc, the Associated Overseas Territories were low-cost producers which were at present selling their products without the need of special preferential arrangements and should be able to continue to do so.

(b) Lead and Zinc metal

- 23. Representatives of participating countries other than the Six pointed out that lead and particularly zinc smelting in the Six countries of the EEC was, generally speaking, highly efficient. These industries had developed special methods of dealing with complex ores and concentrates imported from third countries: they, therefore, did not need protection through a tariff on the metals concerned. The largest importers of lead and zinc metals into the EEC, Benelux and Germany (5 per cent legal tariff suspended) currently gave effective duty-free entry for these metals. In the calendar year 1957, the EEC imported from external sources 130,000 tons of lead metal and 53,000 tons of zinc metal. Of these amounts 75,000 tons of lead (i.e. 60 per cent of total imports) and 47,000 tons of zinc (i.e. 90 per cent of total imports) were admitted duty free into Benelux and Germany; these percentages remained the same even when trade among the Six themselves was included. Only 40 per cent of lead metal imports and 10 per cent of zinc metal imports, therefore, were subject to duty (France and Italy); the bulk of the lead imports were subject to the lower duty (8 per cent) of France and not the higher duty (13 per cent with a minimum duty of 35 lira per kilo net) of Italy.
- 24. Representatives of participating countries other than the Six drew attention to the serious situation which would arise if a higher tariff were imposed on the smelter metal than on the metal content of the concentrates. In such a situation smelters within the EEC, who at present did not enjoy tariff protection, would be in a most advantageous position as compared with smelters in third countries. This would have very serious consequences on the competitive position of smelters in third countries, many of whom, it was feared, would be unable to compete for their supplies of concentrates, while additional smelting capacity would be encouraged in the countries of the Six. Thus, for example, even a 5 per cent duty on lead metal, while ores and concentrates entered free, would mean an increased advantage of about 25 per cent on the smelting charge.
- 25. The representatives of participating countries other than the Six pointed out that, although the consultations were directed towards establishing a case for a zero tariff on lead and zinc, their whole purpose would be frustrated if non-tariff barriers to the trade of these products were used by the Six.
- 26. In concluding this part of the consultation, representatives of participating countries other than the Six again urged that the common tariff on lead and zinc ores and concentrates and on lead and zinc metal should be zero. They stressed that damage to the trade interest of third countries would result if a duty were imposed. They summarized this damage as follows: trade would be diverted and production artificially stimulated in the EEC and Associated Overseas Territories. Moreover, lead and zinc ores and metal, which had a traditional market in the EEC and which would then have to seek new outlets outside this area, would add to supplies entering other markets, thereby having a depressing effect on world prices.
- 27. Representatives of participating countries other than the Six pointed out that the question of the common tariff on List G items was of considerable interest to other countries and the decisions made by the EEC would be of great

psychological as well as practical importance in showing the attitude of the Six towards the freeing of international trade. They hoped that the Six would bear in mind the wider repercussions which their decisions would have in third countries.

- 28. Representatives of participating countries other than the Six referred to the special relationship of Morocco and Tunisia with countries of the MFC. They pointed out that the establishment of a common tariff rate on lead and zinc could have serious effects for third supplying countries if Morocco and Tunisia, which were at present substantial producers of lead and zinc ores and concentrates and lead metals, were to evolve some form of association with the EEC.
- 29. In reference to an enquiry on the position of Morocco and Tunisia, the representative of the Six said that French imports of lead and zinc cres and concentrates and lead metal from Tunisia (Tunisia did not produce zinc metal) had taken place until recently within the framework of a customs union Convention and, consequently, these imports enjoyed exemption from customs duties. Recently this customs union had been replaced by a Convention which, although of a different juridical character, had in practice the same result insofar as lead and zinc ores and concentrates and metals were concerned; in other words these enjoyed exemption from customs duties. The juridical situation insofar as Morocco was concerned was different. Morocco exported to France its lead and zinc ores and concentrates and its lead metal (it did not produce zinc metal) under a system of tariff quotas but the practical result was the same as for Tunisia; in other words these imports were exempt from customs duties. The future evolution of this situation might be examined under two heads:
 - (1) As the tariff relationship between France on the one hand and Tunisia and Morocco on the other were governed by bilateral agreements, it was not possible for France to foresee unilaterally the evolution of these agreements.
 - (2) If it so happened that a tariff system different from the general customs tariff of the EEC was in force between France on the one hand and Tunisia and Morocco on the other, ores and concentrates and metals imported into France from these two countries would benefit from this difference on their entry into France. However, through the application of the Protocol annexed to the Rome Treaty relating to Goods Originating in and Coming from Certain Countries and enjoying Special Treatment on Importation into one of the Member States, and with particular reference to Article 2 of the Protocol, such goods could not be considered as freely admitted in France in the sense of Article 10 of the Treaty of Rome when they were re-exported into another Member State of the EEC. It should be noted that these provisions conformed to Article XXIV:9 of the General Agreement and with the Interpretative Note which related to that Article.
- 30. The representative of the Six stated that he had taken note of the views expressed by representatives of other participating countries. He noted, however, that no case of concrete damage had been brought forward. He stated

that these views would be brought to the attention of the competent Ministers of the Member States of the Community so that they could be taken into consideration when negotiations were held in order to fix the common external tariff rates. He further added that the EEC had already given serious consideration to a number of points raised by representatives of other participating countries. He also pointed out that some members of the EEC were applying fairly high rates of duty on these products, so that the adoption of a rate of duty equal to zero, as suggested by other participating countries, would involve a substantial concession to third countries.

Annex | Imports by the Six in 1958 (thousand metric tons)

Annexe

Importations des Six en 1958 (milliers de tonnes métriques)

	Lead ore and concentrate (Metal content) als et cencentrés de plomb (Teneur en métal)					Lead bullion and refined lead Plomb d'oeuvre et métal raffiné							
Imports from — Provenance:	Belgium Belgique	Germany, Allemagne, R.F.	France	Italy Italie	Nether- lands Pays-Bas	Total	Belgium Belgique	Germany, Allemagne R.F.	France	italy italie	Nether- lands Pays-Bas	Total	
Total -	94 .5	71.4	58.2	0:2	_	224:3	16:1	46.6	64:2	13.1	31.7	171.7	
Intratrade - Commerce entre les Six	3.9	9.6	-	_	÷	13.5	6.7	13.8	16.8	1.7	12.3	51.3	
AOT's - TOMA	8.1	1.7	3.6	-	÷	13.4	<u> </u>	±	_	÷	0.2	0.2	
Morocco — Maroc	3:2	8.5	50 -4	-	-	62.1	<u> </u>	-	23.8	-	=	23.8	
Tunisia - Tunisie	÷	-	-	÷	-	~	-	* ±	22.5	0.5	-	23,0	
Algeria — Algérie	-	-	4.2	-	-	4.2		- "."	-	-	-	-	
Others — Autres pays	79.3	51.6	-	0.2	-	131.1	9.4	32.8	1.1	10.9	19.2	73.4	
Canada •	11.9	10:0	-	-		21.9	-			-	-		1
Australia - Australia	3:9	10.7	=	<u> </u>		14.6	= .	4.7	0.9	1.5	0.7	7.8	
Austria - Autriche	4		-	-	-		-	0.1	-	2.4	-	2.5	
Union of S. Africa - Union Sud-Africaine	_	. 1:6	-	±	±	1.6		÷.	_	0.3	-	0.3	
S. West-Africa - Sud-Ouest Africain	52:0	2.1	÷	<u>.</u>	<u> </u>	54 -1	-	-	÷	4	÷	-	l
Smeden - Suède	2:6	5:4	4	-	<u>:</u>	8_0	_	1.5	-	ت	-	1.5	
Norway - Norvège	-	1.9	-	-	_	1.9	_	-	-	-	-	-	
United Kingdom Dep Terr. dép. du		•		. •									
Royaume-Uni	_	0:2	<u>:</u>	÷	-	0.2		••	·••	••	••	••	
United Kingdom - Royaume-Uni	0.4	0.3	-	-	-	0.7	-	4.8	-	_*	2.5	7.3	1
	Z	inc ore and	concentr	ate(Metal	content)				Refine	Zinc			1
		is et conce				al) ·]		•	Zinc ra	affiné			
Total -	193.3	77.4	151.7	4.	30.6	454.3	_	75:9	36.1	5.9	12.4	130.3	1
Intratrade - Commerce entre les Six	18.2	14.2	19:9		1.2	53.5	<u> </u>	(33.2)	24.8	0.9	4.8	63.7	
AOT's - TOMA	27.7	=	6.5		-	34:2	_	-	4	<u> -</u>	-	-	
Morocco - Maroc	5.2	1 3	45.6		0.4	51.2	_ ≟	_	<u> </u>	•	-	<u> </u>	1
Tunisia - Tunisie	1:7	<u> </u>	3.2		4	4.9	-	_	<u> </u>	÷	-	<u> </u>	1
Algeria - Algérie	-	_	22.0	-		22.0		_	_	_	_	-	
Others - Autres pays	140.5	63:2	54.5	••	29.0	287.6	<u> </u>	42.7	11.3	5.0	7.6	66.6	1
Canada	13.7	2:8	6.5		2.7	25.7	<u>-</u>	5.4	-	0.6		6.0	1
Australia - Australie	43.7	9.0	1.8	-	8.1	62.6	-	-	÷	0.2	-	0.2	Fage
Austria - Autriche	l		•		-	1.0	<u> </u>	0.9	-	2.0	-	2.9	8
Union of S. Africa - Union Sud-Africaine	4.2		÷		<u> </u>	4.2	÷ .	-	÷	→,.	-	_	1
S. West Africa - Sud-Ouest Africain	4.1	1.6	i.	-	3.5	5.7 52.2	=	-	-	0.1	-	0.1	1
Sweden —Suède Norway — Norvège United Kingdom — Royaume—Uni	29.6	19.1	ī.1		1.3	4.1	-	8.6	10 . 0	0.1	1.7	20-4	1
United Kingdom - Rayaume-Uni	-	2.4	,			2:1	-	3.9	0.2	0.1	-	4.2	l

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ZINC PRODUCTION AND EXPORTS IN 1958 PRODUCTION ET EXPORTATIONS DE ZINC EN 1958

(metric tons - tonnes métriques)

Countries	Prod	uction	Expor	t s	Exports to Six as &	Exports to Six of motal and concentrate as \$		
Pays d [†] origine	Mine Minière	Smelter Fonderie			of total exports	of total mine prod. Exportations de méta		
		* 3 41		Tota1	Exports to Six Exportat. vers-1.Six	Export.vers les Six en 3 des exp. totales	et de concentrés ver les Six en 3 du tota de la prod. minière	
Australia Australie	267,100	115,000	Metal — Métal Cond. — Concent.	38,600	62,470 62,600	••	23.4	
Austria Aut riche	5,800	10,700	Metal ∸ Métal Conc. → Concent.	4,100 1,200	4,020 1,000	98.0 83.3		
Canada	384,800	226,900	Metal - Métal Conc Concent.	177,500	25,700	3.4	8,4	
Union of S. Africa Union Sud-Afr.			Metal - Métal Conc Concent.	••	700, 5	••	••	
Sweden Suède	75,700	_	Metal - Métal Conc Concent.	200 60,900		85.7	68.9	
Norway Norvège	8,300	45,100	Metal — Métal Conc. — Concent.	37,300 4,900	24,413 4,100	65.4 83.7	63.2 (% of smelter prod.) (% de la prod. des fonderies)	
United Kingdom Royaume-Uni	300	75,800	Metal - Métal Conc Concent.	2,300	2,400	negl.	3.3 (% of smelter prod.) (% de la prod. des fonderies)	

PRODUCTION AND EXPORTS IN 1958 PRODUCTION ET EXPORTATIONS DE PLOMB EN 1953 (metric tons - tonnes métriques)

		(1110 (1	IC COIIS — COIIIIOS MC	ti iquos/		
Australia Australie	331,700	253,200	Metāl - Métal Conc Concent.	217,100 7,026 14,600	3.2	8.5
Austria Autriche	5,500	11,500	Metal - Métal Conc Concent.	3,300 3,200	96.9	
Canada	(167,900)	120,600	Metal - Métal Conc Concent.	83,800 153 •• 21,900	negl.	13.1
Union of S. Africa Union Sud-Afr.	76,200	••	Metal = Métal Conc. = Concent.	300 55,700	••	73.4
Sweden Suèdo	36,500	35,500 (refined) (raffiné)	Metal - Métal Conc Concent.	10,100 12,600 9,000	71.4	24.8
United Kingdom Royaume-Uni	(5,000)	81,800	Metal - Métal Conc Concent.	12,700 3,700 700	29.1	88.0
Norway Norvège	(2,100)		Metal - Métal Conc Concent.	2,100 2,100	100.0	100.0

Source: Metal Statistics, Metallgesellschaft A.G., 46th Annual Issue.

OEEC Non-Ferrous Metals, Statistics 1958/1959. — OECE,
Statistiques des Métaux non-ferreux, 1958/59.