

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE
WORKING PARTY ON THE ASSOCIATION OF OVERSEAS TERRITORIES
WITH THE EUROPEAN ECONOMIC COMMUNITY

REPORT ON LEAD

PART ONE

THE FACTUAL POSITION UNDER THE TREATY OF ROME

1. The detailed information furnished by the Six concerning unwrought lead is reproduced in Table A appended to this Report.¹ The following are the salient features noted by the Working Party and any discussion of these matters is reported in Part Three.

Present Import Duties of the Six

Lead Ores and Concentrates

2. Imports are admitted duty-free into all Member States with the exception of Italy where the legal tariff is 5 per cent. The tariff effectively applied on 1 January 1957, however, was 5 per cent (less the temporary reduction of 10 per cent).

Unwrought Lead

3. The legal tariffs on unwrought lead for France and Italy are 8 per cent and 20 per cent respectively. In Italy, however, the legal tariff was suspended and on 1 January 1957 the tariff effectively applied was 13 per cent. In the Federal Republic of Germany the legal tariff of 5 per cent was fully suspended as of 1 January 1957. Imports into other Member States are admitted duty-free.

The Establishment of the Common Tariff

4. The Working Party noted that the duties for lead ore and concentrates and unwrought lead had not yet been determined since these items are in List G. The tariffs will therefore be subject to negotiation between the Member States.

¹ The Six have not furnished such information with respect to lead ores and concentrates. The abbreviations used in Table A are explained in Annex D to the main Report (L/805).

Duties on Imports from the A.O.T's

Lead Ores and Concentrates

5. Imports into the Member States of lead ores and concentrates from the A.O.T's will be admitted duty-free, except in the case of Italy where they will be progressively reduced to zero.

Unwrought lead

6. Unwrought lead from the A.O.T's will be imported duty-free into the Benelux and the Federal Republic of Germany. In France the duty on imports from the A.O.T's other than the French O.T's will be reduced to 6 per cent, 4 per cent and zero per cent at the end of the first, second and third stages respectively. In Italy the corresponding duties to be levied will be 9.75 per cent, 6.5 per cent and zero.

Quantitative Restrictions

7. No restrictions on imports of lead ores and concentrates and unwrought lead are maintained by the Federal Republic of Germany and the Benelux. Italy has quota restrictions only on imports effected from the dollar area. France applies quantitative restrictions on imports not originating in its O.T's.

PART TWOBACKGROUND INFORMATION ON TRADE AND TRADE PATTERNS OF LEADProduction

8. Lead ores are extracted from a very large number of mines, both large and small, widely dispersed throughout the world. In 1956 world mine production (lead content) was in the vicinity of 2,100,000 metric tons.¹ The ores almost universally undergo a concentration process at the mine itself before either smelting on the spot or dispatch to a large unit situated at a convenient location for the supply of coke and other materials required in the smelting operation. Most of the output of the principal lead producers is smelted in the country of origin, but some countries, notably Australia, South Africa, Peru, French North Africa and, in recent years, Canada, export a proportion of their output in the form of lead concentrates, mainly to the United States, Belgium, France and Germany. While this trade in part reflects the demand of smelters in these and other countries for larger supplies of raw materials than are available from domestic sources, some of it arises from the fact that a significant fraction of the total lead supply is recovered from complex ores by special processes which certain Continental European countries and the United States have developed to a high degree. This can be clearly seen in the following table by comparing the output of lead in mine concentrates and smelter output country by country for the year 1956:

Lead - World Production, 1956
(metric tons)

<u>Country</u>	<u>Mine Lead Production</u> (Recoverable Lead Content)	<u>Smelter Production</u>
<u>The Six Member States of the EEC</u>		
Federal Republic of Germany	66,200	161,000
BLEU	nil	101,100
France (including Algeria)	18,900	64,100
Italy	49,500	39,200
Netherlands	-	8,800
TOTAL	<u>134,600</u>	<u>374,200</u>
<u>A.O.T's</u>		
French O.T's	3,200	n.a.

¹ All statistics quoted in Parts II and III of this Report are in metric tons.

<u>Franc Area</u>		
Morocco	87,800	28,000
Tunisia	23,000	24,800
<u>Other Major World Producers</u>		
United States	316,000	511,500
Australia	300,000	240,500
Mexico	199,600	193,700
Canada	171,400	134,100
Peru	129,100	59,500
Japan	29,500	48,500
Sweden	36,000	37,900
Union of South Africa	84,500	-
U.S.S.R	310,000	240,000
Yugoslavia	90,000	75,800
<u>Total World</u>	2,148,000	2,303,000

Sources: Metallgesellschaft Aktiengesellschaft
Metal Statistics 1947-56.

Trade

9. Lead and other non-ferrous base metals are of importance in international trade. In 1956, the combined export value of lead, zinc, copper, tin, aluminium and nickel (unwrought metals) amounted to about \$2,900 million, or about 3 per cent of total world export value. The value of lead exports was about \$240 million.

10. The importance of lead exports to a number of countries represented in the GATT is seen from the following table:

Value of exports of lead (ores, concentrates and metals)
in 1955 and 1956 and the share of these in countries'
total exports

	<u>1955</u>		<u>1956</u>	
	<u>\$</u> <u>million</u>	<u>per</u> <u>cent</u>	<u>\$</u> <u>million</u>	<u>per</u> <u>cent</u>
<u>Associated Overseas</u> <u>Territories</u>				
French Equatorial Africa	0.3	1	0.4	1

Other GATT countries
and territories

Union of South Africa	n.a.	n.a.	58	5
Canada	22	0.5	21	0.5
Peru	26	10	31	10
Australia	64	4	71	4
Rhodesia and Nyasaland	3	1	4	1
United Kingdom Dependencies: Tanganyika	2	2	4	3
Japan	1	negl.	6	negl.

Other countries

Mexico	53	7	48	5
Morocco	19	6	20	6
Tunisia	8	7	9	8
Spain	9	2	6	1
Yugoslavia	18	7	19	6

Sources: United Nations Yearbook of International Trade Statistics; Statistical Abstract, the Commonwealth and the Sterling Area; Bulletin Mensuel de statistique d'outre-mer; Ministère de la France d'outre-mer.

11. The Six are important in the world trade in lead ores and concentrates because the Federal Republic of Germany, Benelux and France have smelter capacity substantially in excess of local lead ore production. Overall the Six had a smelter production in 1956 of 374,000 tons, three times their internal production of lead of 134,000 tons, thus requiring imports in the form of lead ores and concentrates of about 215,000 tons. The market of the Six was of special direct importance to some exporters of lead concentrates, thus the Union of South Africa sent 48 per cent of its exports to the Six, Morocco 98 per cent, Tunisia 100 per cent, Tanganyika, a small exporter, sent 100 per cent of its exports to the Six. French Equatorial Africa sent all its exports to France.

12. The patterns of imports of lead ores and concentrates (gross weight) by the Six in 1956 was that 3,000 tons or 1 per cent, was supplied by the A.O.T's and 103,000 tons (28 per cent) by Morocco and Tunisia, members of the franc zone. The Union of South Africa supplied 105,000 tons (30 per cent) and the other big suppliers were Canada (32,000 tons, 9 per cent), Tanganyika (14,000 tons, 4 per cent), Peru (12,000 tons, 3 per cent) and Australia (4,000 tons, 1 per cent). Total gross weight of imports by the Six from outside suppliers amounted to 356,000 tons.

13. In addition to local lead production and imports of lead ores for smelting, the Six were also substantial importers of unwrought lead in 1956, taking in all 184,000 tons of lead bullion and refined lead, i.e., about one-quarter of the quantity of unwrought lead moving in international trade. Of these imports a substantial quantity was accounted for by trade between themselves and imports from third countries amounted to 129,000 tons. The Six represented an important market for exports of unwrought lead by Austria, Mexico, Peru, Spain, the United Kingdom and the United States.

14. The pattern of imports of lead metal by the Six in 1956 was that the Six took 45,900 tons or (excluding trade among themselves) 36 per cent from Morocco and Tunisia (members of the franc zone) and 31,600 tons (24 per cent) from Mexico. Other suppliers were:

United States	19,300 tons	(15 per cent)
Peru	11,800 "	(9 " ")
United Kingdom	4,200 "	(3 " ")
Australia	3,300 "	(3 " ")
Austria	2,900 "	(2 " ")
Yugoslavia	2,200 "	(2 " ")
Remainder	8,300 "	(6 " ")

Table B, annexed to this Report, shows the pattern of trade of the Six in lead ores and concentrates and unwrought lead.

15. Trade in scrap lead metal is also important. In the United Kingdom and the United States, for example, about one-third of total lead consumption consists of recovered scrap. Scrap does not, however, figure largely in international trade as a whole, though it can be significant for individual countries, e.g., Australia exported 4,025 tons of scrap in 1956/57 to the Six, valued at £440,000.

16. Total consumption of unwrought lead by the Six in 1956 amounted to 436,000 tons. Production in the area amounted to 374,000 tons (of which 134,000 tons was produced from domestic raw materials) and net imports were 58,000 tons.

Substitutes

17. There is no fully adequate substitute for lead in certain uses (e.g., battery plates), but over a wide field price determines its use as against other metals, plastics and rubber.

Semi-manufactured and Manufactured Products

18. There is some international trade in lead sheet, pipes, lead oxides, etc., but it is small compared with the trade in the unwrought metal and ores.

Transit and re-export Trade

19. The ultimate destination of cargoes of lead is not necessarily the port of first consignment. Thus lead may be consigned to the United Kingdom from say, Australia, but sold during the voyage and the cargo diverted to, for instance, Italy. There is also a transit and re-export trade on the Continent under which parcels of lead originally consigned, say, to the Netherlands, are on-shipped to other countries both within and outside the Community. Similarly, the smelters of Europe import lead concentrates and re-export the resulting lead metal to many countries. Import and export statistics thus tend to disagree as to countries' true imports of lead and neither represent precisely retained imports for consumption.

Prospects of World Supply and Demand

20. World production of lead rose substantially between 1952 and 1956 mainly due to increased production in Morocco, Tunis and Algeria where production rose from 42,000 tons in 1938 to 120,000 tons in 1955 and Peru where there was an increase from 32,000 to 114,000 tons. Production has since tended to decline slightly. In these and in some of the other main producing countries there are abundant reserves of lead so that production could be steadily increased to meet any likely long-term increase in demand.

21. Consumption has increased each year from 1952 (1,764,000 tons) to 1955 (2,228,000 tons), but it fell in 1956 to 2,200,000 tons and to about 2,100,000 tons in 1957. With the virtual cessation of the United States stock-piling and a decline in industrial activity in the United States market (which uses over one-third of world supplies) there is likely to be over-production of lead in 1958 unless production is cut back sharply and that at any rate no long-lasting period of shortage can be foreseen.

PART THREE

THE SHORT AND LONG-TERM PROBLEMS WHICH THE
ASSOCIATION OF THE A.O.T's RAISED FOR THE
TRADE OF OTHER CONTRACTING PARTIES TO THE
GENERAL AGREEMENT

I. THE NEW TARIFF REGIME

A. Effects within the Community and the A.O.T's

22. Representatives of lead-producing countries other than the Six¹ considered that since lead ores and concentrates and unwrought lead were on List G, and the rates of duty therefore subject to negotiation between the Member States, the Working Party was not in a position to undertake a final examination of the effects of the tariff regime to be introduced. Accordingly, they stated that they would wish to have this commodity re-examined at some later stage in the light of the tariff level eventually established for it. Their provisional views given below were based on the assumption that a tariff on lead ores, concentrates and metals would be imposed.

23. They considered that a common tariff greater than zero and the duty-free entry from the A.O.T's of the Community into the whole market of the Six under Article 133(1) of the Treaty on lead ores and concentrates would constitute a differential tariff in favour of A.O.T. producers. This would compare with the present situation where, with the exception of Italy where a 5 per cent duty was levied, imports were admitted duty-free into the Member States from all sources without discrimination.

24. The representatives of the Six were of the opinion that the abolition of tariffs on trade inside a free-trade area could not be considered as constituting a discriminatory measure. As far as the level to be fixed for the common tariff was concerned one could only make assumptions at this stage; it would be presumptuous to endeavour to predict the decision to be ultimately taken by the Community in this regard. Past experience, however, pointed to the desirability of maintaining low tariffs or duty-free entry on such basic products imported in substantial quantities such as lead ores and concentrates.

¹ As used in this Report the words "producing countries other than the Six" refer to the following members of the Working Party: Australia, Canada, Chile, Dominican Republic, Rhodesia and Nyasaland, Sweden, the Union of South Africa and the United Kingdom.

(i) Effects on price levels in the Community and the A.O.T's

25. Representatives of producing countries other than the Six held that the introduction of a duty on lead ores and concentrates higher than zero would clearly confer a price advantage in favour of producers in the A.O.T's, and these producers would also have the assurance of a market in the Community. This would tend to raise the price of lead ores and concentrates within the Six. Furthermore, should an appreciable tariff be fixed for unwrought lead it would convey an advantage in favour of smelters within the Six. In either case the duties would be reflected in lead prices within the Community tending to discourage demand for lead in favour of competing metals.

26. The representatives of the Six considered that these arguments were hypothetical, particularly in view of the fact that the common tariff under reference had not yet been determined. The present tariff structure of the Six indicated that any tariff protection that might be established would be very limited indeed and could hardly have any impact on prices. At present the A.O.T's furnished an insignificant percentage of lead imports into the Six and, as will be described in detail at a later stage, there seem to be limitations to the possibilities of increasing production in the A.O.T's. Any tariff advantage extended to such a small and limited proportion of total lead imports into the Six, which have been increasing, would therefore have very little or no effect on prices.

(ii) Effects on production in the A.O.T's

27. Representatives of producing countries other than the Six held the view that the introduction of a tariff preference for lead ores and concentrates would stimulate both production and further exploration in the A.O.T's. The A.O.T's were at present significant, but relatively minor producers of lead ore and in 1955 exports from the French A.O.T's amounted to some 6,000 tons (53 per cent recoverable lead content). It was understood, however, that exports were likely to increase as at least one new mine was projected. There was also a small production in the Katanga region of the Belgian Congo which might grow.

28. Mineral surveys in Africa were still at the preparatory stage and total reserves of lead ore in the A.O.T's were impossible to estimate. It had, however, been reported from a reliable source that remarkable discoveries of various ores had been made and that there would be a marked increase in mining in general in the A.O.T's of various minerals. The extent of known lead deposits indicated the possibility that lead might be one of the metals developed in this way. Any tariff preference would stimulate exploration for lead and, if successful, would promote exploitation.

29. The representatives of the Six observed that the latter argumentation did not take sufficient account of actual production in the A.O.T's. Production in French Equatorial Africa, which stood at 6,400 tons in 1955 (53 per cent recoverable lead content), fell to 5,875 tons in 1956 and further to 3,380 tons

in 1957. Many areas of lead mineralization were often associated with copper and zinc deposits and in fact only the Middle Congo area of French Equatorial Africa has permitted regular extraction of lead ore. Even in this region, however, technical difficulties have been encountered and this has led to the above decline in production in 1955-57. The projected mine referred to was not exactly a new venture since it was replacing another mine in a neighbouring area whose reserves had been exhausted. In the Belgian Congo production of lead ore was insignificant and amounted to only 83 tons in 1955 and 2 tons in 1956; moreover, 1,500 tons of lead were imported into the Belgian Congo in 1955.

30. The representatives of the Six drew attention to the fact that the study on the economic prospects of French O.T's that had been cited did indeed mention important discoveries of iron ore, manganese ore, and also deposits of phosphates and bauxite; but not of lead. In the last decade there had been considerable basic research and study to determine the geological sub-soil structure in the French O.T's but results as far as lead was concerned had proved disappointing. It was difficult to envisage in these conditions how any preference that might be introduced would stimulate the extraction of lead ore in these territories; it was not only difficult to see from where increased production of any magnitude would emanate but also how even present production would be maintained.

B. Effect on Trade of Third Countries

(i) Effects of new tariff regime on trade patterns over short and long-term

31. Representatives of producing countries other than the Six held that since exports of lead ores and concentrates from third countries at present entered the markets of the Six free of duty (with the exception of a 5 per cent tariff levied in Italy) the introduction of any tariff that exceeded zero would, by definition, be to their detriment. The effect being to divert trade to the duty-free sources of supply in the Community and the A.O.T's. Any diversions of trade that would take place in the short-term as a result of any preference being extended to the A.O.T's would, however, not be of great importance and an appreciable duty would be to reduce consumption and hence the sales of third countries. Production in the Community and the A.O.T's would have to increase substantially before other exporters would be seriously affected. In the long term, however, a tariff preference would stimulate exploitation on a large scale of any lead deposits within the duty-free area of the Common Market, and in particular in the event of the discovery of new reserves in the A.O.T's these deposits would be opened up rapidly. The increased production would cause a grave dislocation of existing patterns of trade. A substantial duty on lead metal would have a more immediate effect on trade patterns since it would encourage smelting of lead ores within the Six and the A.O.T's to the detriment of present exporters of lead metal to the Six.

32. Many producing countries, moreover, sought outlets in the markets of the Six for the expanded production they expected in the future. In addition, some under-developed countries were still in the process of conducting mineral explorations for lead; in some cases large reserves had been found and they were already small exporters to the Six (for example, in 1956 Tanganyika exported 15,000 tons of lead ores and concentrates to Belgium). The whole of this trade, actual and potential, would stand to suffer in both the short and long term from an increase of duty in the Six on either ores or metals; in the long term it might well be displaced by increased production in the Community and the A.O.T's.

33. The representatives of the Six stated that the import requirements of the Member States for lead ore and concentrates were indispensable and must be maintained. It was anticipated that these requirements, which already assumed some magnitude would continue to increase. These requirements, which stood at 227,000 tons in 1947 had increased by 50 per cent to a level of 356,000 tons (gross weight) in 1956. Mine production of lead ore within the Community amounted only to 134,000 tons in 1956; the balance of demand was met by imports. The Federal Republic of Germany and Italy were the only Member States which produced significant quantities of lead ore although the Federal Republic imported about one-half of its requirements. The Benelux was wholly and France substantially dependent on imports of lead ore. The limitations to increased production in the A.O.T's, already described, and further, the magnitude of necessary imports which were expected to continue to expand, would make it impossible for production in the A.O.T's to supply even a relatively small share of total import requirements. It was clear, therefore, that in order to meet demand within the Community it would be exigent upon the Six to maintain their already large importations of lead ore and concentrates and indeed, as demand increased, as it was expected to, to increase those importations.

(ii) Effects on world markets, taking due account of world supply and demand changes

34. Representatives of producing countries other than the Six underlined the fact that the Six were substantial importers of lead ores and concentrates; in 1956 46 per cent of world exports of these ores went to the markets of the Six. Any change in the demand situation of the Community therefore could have serious repercussions on the world market for lead.

II. Non-Tariff Questions

(i) Quantitative Restrictions

35. It was noted that France imposed quantitative restrictions on imports of lead ores and concentrates, while Italy had restrictions only on imports from the dollar area. Representatives of producing countries other than the Six

considered, in accordance with their arguments set forth in the main Report, that if the Six exercised the rights they had claimed in the discussions on quantitative restrictions in Sub-Group B at the Twelfth Session then they could guarantee markets for all lead ore produced in the A.O.T's regardless of price even if they did not in fact introduce a preferential tariff. If they were to do so, this would lead to very serious diversions of trade and to stimulation of production within the Community and the A.O.T's.

36. The representatives of the Six referred to their argumentation on these points as set forth in the main Report and stressed the fact that under the stipulations of Article 234 it followed that the Institutions of the Community would be obliged to respect international obligations undertaken by Member States, which clearly included those resulting from their adherence to the General Agreement.

(ii) Independent countries of the Franc Area

37. Representatives of producing countries other than the Six drew attention to the fact that Morocco and Tunisia, independent countries of the French franc area, were substantial producers of lead ore and concentrates. Production there had increased rapidly since the war. In 1956 they produced 105,000 tons, nearly all of which was exported to the Six, mainly to France. They thus now formed the biggest source of supply for the Six. These countries could not be regarded as being in the same position as third countries in general under the Treaty of Rome, because a Declaration of Intention in the Treaty provided the possibility for the opening of negotiations with independent countries of the franc area with a view to concluding conventions for economic association with the Community. Since all products from the franc area enter France free of duty some new arrangement would be necessary to determine the status of these products in relation to the Common Market as a whole. They recognized that the type of association was still to be determined, and in any case outside the terms of reference of the Working Party. Nevertheless, they felt it was relevant to record that the "economic association" referred to could take the form of bringing Morocco and Tunisia into the tariff structure of the Community and, assuming a tariff was imposed on lead ores, concentrates and metal, any preference would thereby be automatically extended to Morocco and Tunisia. If such a situation eventuated the whole structure of trade in lead with the Six would be altered and there would be major diversions of trade. Supplies from Morocco, Tunisia would all be diverted into the markets of the Six leading to a loss of markets by additional suppliers. This loss would increase as production stimulated by their preferential position grew in Tunisia and Morocco. It was clear from the substantial increases in production achieved by these two countries since the war that further very large increases in production were possible.

38. In view of the foregoing these members stated that if such a convention for economic association of Tunisia and Morocco with the Community was in fact concluded they might wish to have this commodity re-examined in the light of the terms of that convention.

39. The representatives of the Six pointed out that the possibility of association with the Community was not isolated to Morocco and Tunisia. Indeed it was open to any country to enter into negotiations with the Community with a view to becoming associated with it in one way or another. It was therefore rather unrealistic to single out the countries referred to above particularly since negotiations with other countries were much more advanced.

TABLE A

UNMROUGHT LEAD

(Brussels Nomenclature Heading Number: ex 78.01)

Legal Tariff	Tariff effectively applied as of 1.1.1957		Common External Tariff	Alignment with the common external tariff at the end of			Elimination of duties at the end of		
	by metro-pol. countries to D.O.T.	to imports from other countries or territories		4th year	2nd stage	transition period	1st stage	2nd stage	3rd stage
BK 0 (PB)	0	0	G	-	-	-	-	-	-
FR 8% (B)	0	8%	"	-	-	-	6%	4%	0
GY 5 (B)	-	0	"	-	-	-	-	-	-
IT 20%	0	13%	"	-	-	-	9.75%	6.5%	0

Note: Certain countries = For Italy the following countries: Albania, Bulgaria, continental China (including Mongolia), Czechoslovakia, Ecuador, Finland, Iran, Israel, Hungary, Paraguay,

Table B - Tableau B
Imports by the Six of lead in 1956 - Importation de plomb par les Six en 1956
 (gross weight)(poids brut)

Origin - Provenance	Ore and concentrate - Mineral de plomb et concentrés					
	SITC 203-04 CTCI					
	Belgium-Luxemburg Union Ec. Belgo-Lux.	France	Germany Fed. Rep. Allemagne R.F.	Italy Italie	Netherlands Pays-Bas	Total
French Eq. Africa - Afrique Eq. française	5	6				11
South-West Africa	99		6			105
Tanganyika	14					14
Australia - Australie			3	1		4
Morocco - Maroc	3	89	10			102
Algeria - Algérie	3	5	3			11
Tunisia - Tunisie		1				1
Greece - Grèce		4	4			8
Six	1	1	6			8
Sweden - Suède	4		11			15
Canada	17		15			32
Chile - Chili			3			3
Peru - Pérou	2		10			12
Others - Autres	23	-	14	-		37
Total	171	106	85	1	-	363
	Unwrought - Brut					
	SITC 685 - 01 CTCI					
United States - Etats-Unis	13		0.5		6	20
Mexico - Mexique	4		17	1	9	31
Peru - Pérou	1		11		1	13
United Kingdom - Royaume-Uni	1	1	3			5
Six	1	9	17	4	24	55
Australia - Australie			2	1	1	4
Union of South Africa - Union Sud-Africaine				0.5		1
Spain - Espagne				2		2
Austria - Autriche				3		3
Tunisia - Tunisie		26				26
Morocco - Maroc		20				20
Others - Autres	-	1	2	*	1	4
Total	20	57	53	12	42	184

Source: OEEC, Foreign Trade Statistical Bulletin, Series IV.
 Bulletins statistiques de l'OECE, série IV: Commerce extérieur.