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TARIFFS AND TRADE**

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Working Party on Trade in  
Certain Natural Resource Products  
Non-Ferrous Metals and Minerals  
1 November 1984

DRAFT NOTE ON THE PROCEEDINGS OF THE WORKING PARTY  
ON TRADE IN CERTAIN NATURAL RESOURCE PRODUCTS:  
NON-FERROUS METALS AND MINERALS  
HELD ON 1 NOVEMBER 1984

Prepared by the Secretariat

1. The Working Party on Trade in Certain Natural Resource Products met on 1 November 1984 to discuss factors affecting trade in copper and its products under the Chairmanship of Mr. M. Cartland (United Kingdom - Hong Kong). The Working Party also discussed tariff escalation in lead and zinc as well as the product coverage of the lead study.

Copper

2. The Chairman noted that the Working Party, after the examination of problems relating to trade in lead and zinc held in June, would continue its work in examining problems falling under the competence of the General Agreement relating to tariffs, non-tariff measures, and other factors affecting trade in copper and copper products. It was agreed that the background documentation MDF/W/10 and Addendum 1 would form the basis for the examination. The Chairman informed the Working Party that document MDF/W/10 contained a brief analysis of production, consumption and prices of copper and copper products. It also provided information on the international trade and commercial policy situation relating to these products, and on the activities in other international organizations, namely in the UNCTAD and CIPEC. The Chairman added that Annex II in Addendum 1 to this document contained detailed information on trade flows in copper and copper products at the tariff line level under different tariff treatment according to stages of processing in twelve developed countries. Moreover, Annex I in Addendum 1 indicated the pre- and post-Tokyo Round tariff situation affecting copper and its products and Annex III contained an extract from document TAR/W/26, COM.TD/W/361 dealing with the problems of tariff protection on selected copper processing activities. The Chairman suggested that the Working Party should follow the same procedure as for lead and zinc and commence with general statements by members of the Working Party on problems related to copper and copper products. This would be followed by a detailed section-by-section examination of the secretariat background document, concentrating on specific problems within the competence of the General Agreement, particularly those mentioned in the terms of reference relating to tariff and non-tariff measures.

3. The representative of a group of developed countries informed the Working Party that the Agenda of the Council meeting to be held on 6 November 1984 contained a request for the establishment of a Working Party on measures affecting the world market for copper ores and concentrates. He explained that up to now all consultations held at different levels and fora, including the consultations held by the Chairman of the Council, had not led to any results. The contracting party with which consultations had been held, had rejected all proposals for a solution, arguing that the problem had no connection with GATT provisions. He continued by pointing out that the level of tariff protection on refined copper had enabled the country with which the problem had arisen to pay higher prices for copper ores and concentrates and to refrain from purchasing refined copper at international prices. This price technique had permitted that country to monopolize some 80 per cent of the market in copper ores and concentrates thereby causing disturbances in the world market. He further explained that the request for the establishment of the Working Party was based on Article XXII, paragraph 2, which covered the possibility of plurilateral debate on any matter affecting the operation of the Agreement. He indicated that the problem was of a specific nature and he did not wish to block the work of the present Working Party with this problem.

4. The representative of the developed country confirmed that efforts had been made to clarify the problem. He said, however, that his government did not find valid reasons for the proposal to set up a new working party. On the other hand he stressed that his government considered that this Working Party was of great importance and that problems relating to the present state of the copper industry and its future could best be discussed within its framework including the matter in question and expressed the willingness of his government to participate actively in the discussions related to this subject. The representative of another developed country considered these comments reasonable. He added that the specific problem was referred to in the study and, as it was related to tariffs, it would not be inappropriate to discuss it in the present Working Party. The Chairman proposed that the Working Party should await the decision of the Council and should revert to this issue, if necessary, in the future.

5. Following the general remarks, and during the course of section-by-section examination of the secretariat background document, some delegations proposed corrections or made specific suggestions for improvements in the text. It was agreed that the secretariat would take all such comments into account and would issue a corrigendum containing factual corrections.

#### Specific Substantive Comments on the Secretariat Background Study

##### SECTION I

6. Referring to the last sentence of paragraph 6, the representative of a developed country stressed the importance of by-products and co-products in production as well as in trade in copper. He thought that at some time in the future it would be advisable to examine the impact on production and trade in copper of trade barriers applied to the most important copper by-products. In this respect, the representative of a developed country

made a reservation concerning any decision on future activities of the Working Party. However, he was reassured that the previous speaker had not made any concrete proposal at that stage. His intention was to point out the importance of this subject which might be considered by the Working Party in due course.

7. The representative of another developed country said that the main reason for the declining shares of private companies was nationalization. He regretted that the role and structure of State-owned companies was not described in such detail as that of the private sector. He said that paragraph 20 would also benefit from having more information on developing countries. He felt that paragraph 21, which described producer prices and prices on terminal markets gave the impression that producer prices in his country were different from free-market prices. He explained that producer prices were quoted and moved in the same direction as prices in terminal markets; they did not, however, change on a daily basis. He mentioned that the producer pricing system in his country was similar to those of other countries.

8. Representatives of developing countries thanked the secretariat for the background study which they considered to be a very good basis for the work of the Working Party. Commenting on paragraph 21 describing prices of copper, the representative of a developing country said that, in her view, this paragraph needed further elaboration with respect to annual supply contracts. Details on the various types of these contracts as well as on price levels and time of delivery were required. The representative of another developing country pointed out how important this meeting was to his country. However, he considered the present discussion as preliminary. The Spanish version of the secretariat document was distributed much later than the English and his competent authority had not sufficient time to examine the document in depth. Referring to the comments on the structure of the copper industry, he agreed that the structural adjustment created by nationalization should be taken into account. However, he stressed that as mentioned in the document, vertical integration also resulted from other factors such as the existence of transnational companies. In his view, the fact that State-owned companies did not belong to multinational chains tended to liberalize trade in copper. State-owned companies had to rely mainly on their own efficiency and market forces. However, they had not yet reached the same level of vertical integration as existed in transnational companies. Regarding paragraph 21, he agreed that producer prices were related to the free market and that the difference between these prices and prices on terminal markets should not be exaggerated. He also agreed that this paragraph should describe the differentiation between various types of annual contracts.

9. The representative of a group of developed countries expressed his doubts about the correctness of the figure indicating that copper scrap represented 40 per cent of total refined copper production. He proposed that footnote 1 to paragraph 22 be deleted as this paragraph was sufficiently explicit as it stood. He considered that this footnote was in contradiction with the last sentence of paragraph 48 which specified that in certain markets where protection phenomena existed, national or domestic prices were different from other prices or world market prices. The representative of another developed country expressed his appreciation

of the secretariat study which he considered to be a well organized and factual document, rich in information. He considered paragraphs 21 to 24, giving information on the pricing of copper, particularly useful. He added that the major part of trade in copper was based on bilateral negotiations between buyers and sellers. Actual prices had to take into account differing factors and should therefore be different from quoted or indicated prices.

## SECTION II

10. Responding to the question raised by one delegation with regard to specific corrections or modifications of the text of the background study, a member of the secretariat assured the Working Party that all factual corrections submitted in writing by delegations would be reflected in the corrigendum to the document. However, he stressed that due to the workload, and given the fact that the secretariat document, done under its exclusive responsibility, was meant to serve merely as a background for the deliberations of the Working Party, the secretariat would not be in a position to carry out extensive revisions of the documentation. He also mentioned that notes on the proceedings of the meeting would fully reflect all views expressed in the discussion.

11. Referring to Table 5 on scrap, the representative of a group of developed countries noted that this Table should also include figures on the direct use of scrap by manufacturers which, as mentioned in paragraph 13, represented an important share in total production of refined copper. Citing figures on mine production in her country, the representative of a developing country pointed out that although mine production in 1982 recovered compared to 1981 it did not reach the high level of 1979.

12. The representative of a developed country mentioned that in contrast to the impression given by the document that there was a continuously declining trend in consumption and production of copper, despite the problems of substitution, miniaturization and new technology, most forecasts foresaw general growth in copper production and consumption in the longer term, although at a lower level than in the past.

## SECTION III

13. The representative of a developed country referred to the last sentence of paragraph 48 which said that "In such a situation of increased demand and reduced supplies, the customs tariff may play an important role since a copper processing industry which benefits from protection may be able to offer a price for the imported ores or concentrates above the LME equivalent by shifting the extra cost over to the refined copper which benefits from protection." He said that, in his view, this sentence departed from the factual nature of the study and that no factual evidence was presented to support this statement. He said that the real behaviour of the market was not so simple as described here. He added that in order to establish a logical relation as described in the sentence at least two principal conditions needed to be fulfilled. Firstly, protective tariff rates on refined copper should cover disadvantageous processing cost conditions. Secondly, substantially higher prices than international

prices should be realized in the market of that country. As an example, he described the situation of the copper industry in his country. He referred to paragraph 94, giving tariff treatment applied by his country on refined copper which showed that the actual tariff rate was about 3-4 per cent, which was lower than the concessional rate. At the same time, his country applied a sliding Tariff according to which tariff rates on refined copper decreased along with increases in prices. He also mentioned that the tariff did not cover the additional cost which the copper industry in this country had to bear because of the disadvantages it had, some of which were described in paragraph 47. Therefore, he considered the conditions mentioned above did not apply to his country and added that there was no evidence how far these conditions could be relevant to other countries. He proposed the deletion of this sentence.

14. The representative of a developed country thought that the sentence referred to earlier had to be taken in the broader context of how tariffs could influence trade flows in general. The representative of a group of developed countries, while agreeing to a large extent with the analysis made by an earlier speaker, did not share his conclusion. He considered that the sentence should remain in the text and proposed a modification to reflect other linkages such as national prices or other measures which had to be taken into account together with customs tariffs. The representative of a developed country completed his earlier comments by saying that, from the broader point of view, the protective impact of tariffs on trade which was related in this part of the study to copper ores and concentrates could also be applied to other parts of the study.

15. Referring to the stockpiling policy in his country, the representative of a developed country proposed to delete from footnote 3 the statement that his country "was essentially self-sufficient in copper and that the emergency could be met by Government allocation of copper to critical industries and uses." He said that this statement was inconsistent with the fact that his country had a stockpile objective, although no purchases had been made for it since several years.

16. The representative of a developing country wanted more information on the direction of trade of developing countries, mainly those of Latin America, the Middle East and South East Asia. The representative of a developed country commenting on the beginning of paragraph 53, said that the decline in imports of refined copper caused by the slow-down of the world economy did not apply in the case of all market-economy countries. Citing the figures on one developed country shown in Tables 3 and 13, he demonstrated that, in the period 1980 through 1983, this country increased substantially its imports of copper concentrates as well as its production of refined copper, while its imports of refined copper had decreased.

17. Commenting on Section III, the representative of a developing country confirmed that trade flows showed the concentration of import markets in developed countries. However, as in the case of lead and zinc, developed countries were mainly importers of copper ores and concentrates while at the same time they were large exporters of refined copper and copper semi-manufactures and manufactures. Referring to trade and prices, she added that some regulating mechanism was needed to harmonize the requirements between producers and consumers. This was particularly essential at the present time when copper trade was threatened by protectionist measures leading to instability and doubts for exporting countries.

SECTION IV

18. The representative of a developed country appreciated the secretariat's effort in this section. However, he considered that certain elements contained in the document MDF/W/1 and MDF/W/3 presented by his delegation were not fully reflected in the study. His delegation felt that more precision on tariff preferences on the basis of Article XXIV would be most useful. He also regretted that the present study did not address the problem of import demand elasticities. With respect to the exactness of figures on trade under the GSP treatment, he wondered if it would be possible to get closer indications, at least as an order of magnitude. Noting that he was aware of methodological problems with respect to the calculation of tariff averages, he proposed to insert in the last sentence of paragraph 65 the word "fully". The sentence would then read as follows: "neither the simple nor the weighted tariff averages provide a fully satisfactory indication of how tariffs have affected trade flows over time." He considered this amendment necessary in order to avoid misinterpretation. He did not request any revision of the present study but he hoped that his comments would be reflected in the note on the meeting and that the points raised above would be taken into account in the elaboration of future studies on other non-ferrous metals.

19. Referring to the limited resources of the GATT secretariat the representative of a developed country expressed his concern about the duplication of work in this Working Group and other GATT bodies.

20. In a general comment on Section IV, the representative of a developing country mentioned that it would be desirable to have more details on international trade in copper semi-manufactures. He considered the comments on preferential treatments under Article XXIV pertinent. Although he did not question the legitimacy of regional arrangements, he thought that the removal of quotas and other limitations would liberalize trade in copper. He found the description of GSP treatment particularly useful and pointed out that GSP treatment was eroded by the existence of other more favourable arrangements. He emphasized the importance of the observation made in paragraph 136 on tariff escalation and effective tariff protection. While recognizing the difficulties of analysis, he mentioned that his delegation considered this problem of a great importance for the copper industry and that it deserved a profound examination. He did not think that the work carried out by the present Working Party was a duplication. On the contrary, he thought that its work was complementary and that the secretariat's studies on non-ferrous metals and other natural resource products had highlighted certain aspects of tariff and non-tariff measures which had an impact on overall trade flows and which would not otherwise have been apparent. He found the list on non-tariff measures applied to copper very useful and recalled the existence, as indicated in the study, of another category of measures which could also have impact on trade in copper which should also be analyzed. The representative of another developing country agreed that points mentioned by previous speakers were also very important to his country.

21. Several delegations mentioned that in their view the paragraph on sector approach represented a historical overview of a particular approach adopted in the Tokyo Round.

22. The representatives of several developed countries welcomed the analysis of pre- and post-Tokyo Round average tariffs on industrial finished products compared to tariff averages on unwrought copper, copper semi-manufactures and metal manufactures. They wondered, however, if the secretariat could provide data on weighted tariff averages of duty rates calculated on more recent m.f.n. imports than 1977 or 1976 used in the study. They assumed that most probably the difference between weighted tariff averages for metal manufactures and for all industrial products would be greater if these averages were re-calculated using more recent figures on m.f.n. imports.

23. The representative of a developed country noted that, in his view, tariffs on raw materials up to the unwrought products stage should be zero and that the tariff protection in importing countries represented an obstacle for development of the processing industries in producing countries.

24. Referring to the GSP Scheme, the representative of a group of developed countries pointed out that its GSP Scheme was subject to annual changes and that, as could be seen from paragraph 81, the Scheme was constantly being improved. Commenting on the same subject, the representative of a developing country stated that benefits of GSP treatment granted by developed countries on copper and copper products were eroded by the existence of limitations such as quotas, exclusions or graduation on the one hand, and by the existence of other preferential treatment under regional agreements without any limitations on the other. She stressed that, if trade in copper was to be liberalized, all countries should get the same treatment. The representative of another developing country identified certain features in GSP schemes in the main developed country markets for copper products exported by his country. He pointed out that while products of his country were competitive, access to the market in one developed country was hindered by competitive clause provisions, the principle of graduation and the safeguard factors which were built in the GSP system of this country. He wished that a group of developed countries would enlarge quotas and remove individual limitations to some quotas on copper semi-manufactures in its GSP Scheme. He considered that the effective tariff protection on copper in another developed country was particularly high and quotas for GSP imports of refined copper rather low.

25. The representative of a group of developed countries did not share the views expressed by delegations of developing countries that the limitations of the GSP Scheme were an obstacle in the trade in copper in his market. He reported that none of the ceilings imposed under the GSP Scheme in this sector was used to the extent of more than 12 per cent. Recalling what was said in paragraph 12 of the study on the new technology in the copper production, he noted that several countries adopted another approach by establishing joint ventures in consuming countries. The representative of another developed country pointed out that the reasons why his country found it necessary to impose certain limitations in its GSP Scheme were well-known.

26. Referring to non-tariff measures on copper and copper products, the same representative expressed his interest in having more information on other measures mentioned in the study such as governmental and intergovernmental policies etc. He considered that the footnote on the stockpiling policy in his country in Table 11 was sufficient and the reference in paragraph 138 to this matter was unnecessary.

27. The representative of a developed country referred to non-tariff measures listed in Table 39 and to other measures of a general nature which, together with tariffs, created obstacles to international trade in copper. He expressed his satisfaction with the decision taken by the administration of one developed country to abstain from protective measures on copper. However, he said that certain elements in the recently adopted trade bill of this country continued to give some preoccupations to his delegation. In this respect, he drew the attention of the Working Party to Section 247 of the Act entitled copper imports, according to which the Congress requested the President to negotiate voluntary export restraints with principal foreign copper producers for a period of three to five years and to report within twelve months on the results achieved. The possibility of such action would add to the uncertainty already existing in copper-producing countries. He also referred to Section 613 of the same Act, relating to "upstream subsidies" which provided for countervailing duties, and to new foreign sales corporation legislation which provided for taxation reliefs. Although he could not anticipate the practical impact of this legislation he expressed his concern at the possible adverse effects on trade in copper semi-manufactures and manufactures, as well as on other non-ferrous metal products. Finally, he referred to paragraph 139 of the study, relating to government procurement practices and, in particular, to the information relating to purchase of telecommunications equipment. He felt that it would be useful to have details of the value of this trade or, at least, some idea of the order of magnitude. The Chairman doubted whether such information could be made available to non-members of the Government Procurement Agreement. The representative of a developed country stated that since the new legislation referred to earlier had not yet been implemented it was difficult to evaluate its likely effects on trade in copper products. Whilst he recognized the concerns of the previous speaker, it was essential that any discussion of legislation should extend to all countries and not be limited to the legislation of a single contracting party.

28. In addition to the discussion on non-tariff measures, the representative of a group of developed countries mentioned that for the time being, export quotas applied on ashes and residues and waste and scrap of copper and copper alloys could not be eliminated. This measure was necessary because of the problems existing in the trade flows in copper, mainly in copper ores and concentrates. He welcomed the decision not to introduce quantitative import restrictions on refined copper taken by a developed country as he considered it more appropriate to deal with the problem on a bilateral basis. The representative of a developing country did not share the view expressed by the previous speaker and considered that the new Section 247 of the referred legislation calling for the negotiation of the voluntary export restraints showed an even more dangerous tendency than Section 201 and was inconsistent with GATT provisions.

29. Responding to the concern expressed by one developed country delegation in relation to the possibility of supplementing the secretariat background study with additional analysis and information, the representative of a developed country reaffirmed the wish of his authorities to limit this work only to problems related closely to copper and the copper trade.

#### SECTION V

30. The representative of a developing country appreciated the description of CIPEC and its activities given in this section. Stressing the limited possibilities of CIPEC to influence world copper prices he proposed to delete paragraph 140 related to this problem. He mentioned the latest resolution adopted by the CIPEC Ministerial meeting which gave a mandate to the Secretary-General to help in the consultations being held in UNCTAD with respect to the stabilization of the copper market.

#### Summary and observations

31. The same speaker also appreciated the final analysis and summing-up given in this part of the study and considered it helpful in the further work of the Working Party.

32. In summarizing the discussion of the meeting of the Working Party on copper, the Chairman considered the exchange of views very useful and added that as was agreed previously, all factual corrections presented by the delegations in writing would be included in a corrigendum to MDF/W/10 and that the secretariat note on the meeting would reflect all substantial comments expressed in the discussion on copper.

#### Progress report to the Council

33. The Chairman recalled that pursuant to its terms of reference, the Working Party should submit a progress report on each of the three products under its examination, including non-ferrous metals and minerals. This was agreed.

#### Lead and zinc

34. The Chairman recalled that at its June meeting the Working Party decided to revert to the problem of tariff escalation in lead and zinc. In this respect the representative of a group of countries offered to submit to the Working Party a note on tariff escalation in lead and zinc elaborated on the basis of a different methodology than that used in the document presented earlier by another developed country on the same subject.

35. The representative of a group of developed countries informed the Working Party that the document would be available before 15 November. Following the discussion and comments made by several delegations, it was decided that the Working Party would meet informally to discuss this matter later this year. Due to the differences in views on the product coverage of the lead study, it was also decided to hold at the same time informal consultations on this subject. Several delegations expressed their interest in participating in these consultations.

36. The Chairman closed the meeting saying that the next formal meeting would be convened in March to discuss problems related to trade in nickel and tin.