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Non-Ferrous Metals and Minerals
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MINUTES ON THE MEETING OF THE WORKING PARTY
ON TRADE IN CERTAIN NATURAL RESOURCE PRODUCTS:
NON-FERROUS METALS AND MINERALS
HELD ON 3 JULY 1985

Prepared by the Secretariat

1. The Working Party on Trade in Certain Natural Resource Products met on 3 July 1985 to discuss factors affecting trade in tin and nickel and their products under the Chairmanship of Mr. M. Cartland (United Kingdom - Hong Kong).
2. The Chairman recalled the terms of reference of the Working Party and the work of the Working Party which had been undertaken so far in the area of non-ferrous metals and minerals. He said that after the examination of lead, zinc and copper which took place last year, the Working Party would continue its work with the examination of tin and nickel. He mentioned that it was also foreseen to discuss certain outstanding problems on lead and zinc. As requested by the Working Party, the secretariat had been carrying out the revision and updating of the studies of these metals and had accomplished the revision of the background study on zinc. However, for technical reasons it had not been possible to issue the document before the meeting. He suggested, therefore, an informal meeting be held on this subject in the autumn if possible together with the discussion of the progress report to be submitted at the Forty-First Session of the Contracting Parties.
3. The Chairman said that the factual background documentation prepared by the secretariat on tin and tin products circulated as MDF/W/20 would form the basis of the discussion. He invited delegations to start with general observations related to tin and to follow with a section-by-section examination based on the secretariat background study. He requested delegations to transmit to the secretariat any technical comments or corrections on the studies on tin and nickel. He reminded delegations that there was no intention to revise these studies, which were strictly of the responsibility of the secretariat, and any comments or corrections would be published in an addendum or corrigendum. In this respect he suggested that the secretariat prepare minutes of the discussion instead of the notes on the proceedings of the session. This would enable delegations to have clearly on record all views expressed including remarks and corrections concerning the background document.

4. The representative of Sweden regretted that his delegation received both studies only recently and had not had sufficient time to study them. He recalled that his country had an interest in nickel having the highest per capita consumption of nickel in the world and he reserved his comments for a later stage. The representative of Malaysia informed that, although he had had the opportunity to make some comments on the draft of the tin study, his authorities, after studying the final document, might have some additional comments and remarks.

Tin

5. Several delegations expressed appreciation for and satisfaction with the secretariat study on tin. They found the study very useful, generally well researched and balanced. However, they pointed out that they might still have some comments to further improve its accuracy. The representative of Canada stressed that although his country had no major interest in tin, his delegation was aware of the importance of tin trade to other countries, members of the Working Party. The representative of Japan pointed out that structural changes were taking place in the tin industry and trade.

6. The representative of Thailand, referring to the International Tin Agreement, said that her comments would be limited to trade policy issues related to tin. She noted that tin primary products enjoyed m.f.n. duty-free treatment in most importing countries and that developing countries benefited from the preferential GSP treatment on items subject to positive m.f.n. rates. However, certain m.f.n. rates of duty were still relatively high and there were no preferences under the GSP. She also mentioned the existence of the tariff escalation in different stages of processing affecting the exports of higher value-added tin products. With regard to non-tariff measures, she expressed concern regarding new health standards for containers being developed by the EEC which would reduce their tin content and hoped that these measures would not turn into unduly restrictive trade barriers. Referring to the GSA stock disposals she pointed out that any policy which might cause trade disruption should be performed in a prudent manner in order not to cause any adverse effect on developing exporting countries.

Specific Substantive Comments on the Secretariat Background Study on Tin

SECTION I

7. No comments

SECTION II

8. The representative of the United States mentioned that, although his delegation had already submitted some comments, certain of these comments were not reflected in the study. He thought that the explanation in paragraph 15 of the fall in the tin mine production should be modified in order to reflect the primary cause. He did not doubt that because of the existence of the International Tin Agreement, this fall impacted particularly on ITC member countries through export controls applied to producing member countries. However, he considered that if there had not been the ITC, the drop in the production would have been accomplished as a result of a price fall and the allocation among countries might have been

different. It should be taken into account how the tin market operated. He added that, as the United States was not a member of the ITC, the views of the ITC members on this subject might be different.

9. With respect to releases from the GSA stockpile mentioned in paragraph 17 as well as in other parts of the study, the representative of the United States considered that there was a tendency in the study to overestimate the operations of the US non-commercial stockpiles as they might affect the tin market. It should be noted that large releases from the stockpiles were only made when tin market conditions were tight and market prices rising rapidly. Despite these disposals, prices had continued to increase at these times. Also, in considering long-term trends, one should take into account the scale and the timing of these releases. He added that in the last ten years, GSA releases represented on average less than 1 per cent of tin flows of the western world production. Moreover, as they took place mainly in periods of shortages, their impact on the market was different from that that would have come about if they had been carried out under other circumstances. At the same time, the quantity of these disposals was so small that it could be considered almost imperceptible compared to the large size of the flows.

10. With respect to the substitution of tinsplate by aluminium in beverage containers in Europe and Japan, the representative of the United States noted that this substitution took place to a much lesser extent than that in the United States. He further said that the substitution was a long-term process and most of these trends had already been established. It would perhaps be more useful to look for changes in these trends over time. Regarding paragraph 32 which mentions the GSA disposals as another factor influencing prices, he recalled that during the period of large disposal programmes in 1963-65 and 1972-75, the LME market prices had risen by 55 and over 100 per cent, respectively. Therefore, one should not misunderstand the extent to which GSA stockpiles might be responsible for any market influence. He further said that the level of the economic activity had a main influence on prices, while speculation influenced prices at times.

11. While the representative of Malaysia agreed with the view of the US delegate on production cutbacks due to falling demand and prices, he stressed that these cutbacks were necessary in order to accelerate the adjustment between supply and demand. Referring to the paragraph on price elasticities, he pointed out that the adjustment period would be much larger if this would be solely made on the basis of the price mechanism.

12. The representative of the United States questioned the meaning of true purchasing power given in paragraph 38. He considered that the qualification of real prices as a rough approximation of the relative trend in tin prices to those of other products over the 1950-1983 period, as used before, would be more appropriate. He said that he was not aware of any announcement of the disposal programme from the GSA and its psychological impact on the market in the period mentioned in paragraph 39. The disposal programme which was rather limited in size had started two years earlier. In contrast, the sudden drop in tin prices occurred after the so-called "mysterious" buyer stopped operations in the market in February 1982 after a period of artificial squeeze of the market.

13. Commenting on the memorandum of understanding mentioned in paragraph 41, the representative of the United States observed that this memorandum represented a framework for consultations and was the continuation of the United States' policy to consult on stockpile matters with producing countries. He considered that the characterization of all stocks in 1983 as a surplus was not quite correct as these stocks included at the same time pipeline stocks as well as working stocks. Consequently, the surplus was only a portion of the amount indicated.

SECTION III

14. With respect to shortages in tin-in-concentrates the representative of the United States presumed that the adjustment in the tin industry had been taking place on an economic basis. Smelters in developed countries competed with newly established smelters in developing countries which had certain comparative advantages e.g. lower transportation costs. However, he hoped that this adjustment process would not involve any conscious government policy which would impede the normal trade flows and the allocation of sources.

SECTION IV

15. The representative of the European Communities regretted that this Section dealing with trade policy issues did not provide a more detailed examination of export regimes applied by producing countries. Referring to export quotas, export taxes and prohibitions in some producing countries he considered that these measures should be examined as carefully as the measures on imports. The study would present a more objective review of the trade policy situation having a reference to these problems.

16. Responding that the study was based on notifications submitted officially to GATT, the Chairman invited the members of the Working Party to submit any additional documentation which could be relevant for this exercise.

17. The representative of Australia said that to his knowledge his country did not maintain any export taxes on tin. Although Australia had a legislative system of export controls all applications made under this system were automatically authorized. One of the reasons for the Australian export controls was to counter import controls in other importing countries.

18. The representative of the United States explained that the US Public Law No. 98/473 mentioned in the paragraph 135 on government procurement only referred to one particular appropriation of US\$185 million for acquisition and related expenses of strategic and critical materials from domestic sources and did not establish any general US policy on stockpile procurement.

19. Commenting on the Japanese import policy described in paragraphs 90 and 91, the representative of Japan informed of his government's intention to reduce m.f.n. rates of duty on a number of products in the coming years. He said that tin and tin products would also be included in these tariff reductions. He also recalled that the Japanese GSP scheme applied the flexible administration to tin and tin products with no ceilings or other restrictions.

20. Responding to the suggestion of the representatives of the United States and Canada to mention in paragraph 66 tariff escalation in developing countries' tariffs, the representative of the secretariat explained that this paragraph only referred to tariff concessions granted by developed countries in the Tokyo Round and their evaluation.

SECTION V

21. The representative of the European Communities said that footnote 1 on page 95 should also indicate among the consuming members of the Sixth Tin Agreement the Member States of the European Communities as each of them had signed and ratified the Agreement. He further thought that the figures quoted in paragraph 130 on the functioning of the Sixth International Tin Agreement might be misunderstood as they referred to the Sixth Tin Agreement in force on a permanent basis. However, as the Sixth Tin Agreement operated only on a provisional basis having been signed by 50.6 per cent of consumers, the tonnages of buffer stocks and export controls had had to be reduced accordingly. The buffer stock had been reduced from 30,000 tons to 19,666 tons and the trigger point for the possible introduction of export controls from 35,000 tons to 27,766 tons. He regretted that the analysis in paragraph 132 on the functioning of the Sixth International Tin Agreement failed to mention monetary fluctuations as one of the serious problems. Fluctuations in currencies had an impact on the floor price expressed in Malaysian dollars which were gaining in value against the pound sterling creating a gap between them. Through the functioning of the Tin Agreement, the price of tin at the LME reached levels considered too high by both producers and consumers. Responding to the statement made by the representative of Thailand, the representative of the European Communities explained that the directives on the recycling of containers for liquids was a horizontal measure including all materials, such as, other metals, glass, plastics etc. As already explained at the ITC meeting, this measure was not detrimental to the tin producers but had been adopted mainly for energy saving and environment protection reasons.

22. The representative of Australia indicated that Australia was not a member of the International Tin Research Institute and that the Australian industry was an observer to this organization.

Summary and observations

23. Considering that the summary and observations of the secretariat paper, in general, well reflected the substance of the study, the representative of Canada suggested to include in the paragraph 139 the last sentence of paragraph 122 saying that "As indicated in TAR/W/29 of 8 June 1982, where tariffs show escalation at successive processing stages, effective rates of protection are higher, often considerably so, than nominal tariff rates themselves". The representative of the United States thought that the use of the word circumvented in paragraph 136 was not appropriate as it referred to non-member countries.

24. Commenting on the remarks made by the representative of Sweden considering that there was little substantial discussion on trade problems, the representative of Canada thought that the study was generally acceptable to delegations and that the problems laid down in the study reflected accurately and adequately the situation. Although, as mentioned before, Canada had no major interest either as a producer or as an importer of tin, the Canadian delegation thought that the study underlined problems in both tariff and non-tariff measures affecting trade in tin.

25. The representative of Malaysia assured the Working Party that export duties imposed on exports of tin-in-concentrates were solely for revenue purposes. Tin-in-concentrates destined to smelters in Penang were considered as exports and subject to export duties established on the basis of market prices.

26. In summing up, the Chairman said that the discussion showed that problems in tin were accurately demonstrated in the secretariat study. The discussion would be recorded in the minutes of the meeting and technical comments and corrections would be issued as a corrigendum to the study. Any delegation, if it wished, could submit substantive comments in writing which might be issued as an addendum. Delegations who had not had sufficient time to study the documentation might wish to revert to particular problems at the later stage. The Chairman also recalled that after finishing the examination of all six metals the Working Party should produce the final report to the Council which would focus on the problems highlighted in the studies. It would probably contain a summary of problems in common as well as problems specific to each metal.

Nickel

27. The Working Party continued its discussion on problems falling under the competence of the General Agreement relating to tariffs, non-tariff measures and other factors affecting trade in nickel. Factual background documentation prepared by the secretariat on nickel and nickel products circulated as MDF/W/21 formed the basis of the examination. Before a section-by-section examination based on the secretariat background study, the Chairman invited delegations to begin discussion with general comments related to nickel.

28. Several delegations expressed a general appreciation for and satisfaction with the background study. Some members however, remarked that certain sections might need revision to reflect factual corrections and other amendments to the text. The Chairman indicated that there would be no revised document issued but that the minutes on the meeting would reflect all the comments and points of view expressed by the various delegations. Factual and other corrections to the study would be issued in the corrigendum to the basic study. He added that such corrections could be made orally during the meeting or could be communicated to the secretariat in writing. He also pointed out that since the background study was done under the secretariat's own responsibility and was not a subject for negotiations, any delegation which wanted major amendments or changes made to it had the option of having them issued as addenda to the study or as a self-standing document.

29. The representative of Canada pointed out that his country particularly welcomed the study since mining, processing and trade in nickel and nickel products was one of the basic and essential components of the country's economy, and was central to the livelihood of a large number of people. He considered tariff, tariff escalation and other non-tariff barriers as posing major problems in the expansion of trade in nickel and nickel products. This latter remark was shared by the representative of Australia.

Specific Substantive Comments on the Secretariat Background Study on Nickel

SECTION I

30. The representative of Canada, observed that certain major end-use products could have been included in the product coverage of the study, in particular nickel cadmium batteries. The representative of Canada further proposed a change in phraseology to the footnote 4 to paragraph 8 to reflect the uncertainties facing the international deep sea mining regime including the resolution of several conflicting claims and the refusal of a number of major countries to be bound by certain aspects of the Convention on the Law of the Sea. The representative of the United States amended the last phrase to state that certain countries had declined to sign the Law of the Sea Convention. Commenting further on footnote 4 to paragraph 8, this representative stated that the technological aspects of sea-bed mining of nodules at present did not constitute a problem. The real problems were economic and financial and originated mostly from the low prices which had prevailed on the nickel market in recent years. Also commenting on paragraph 8 the representative of the European Economic Communities said that the manganese from sea-bed nodules had to be recovered if such mining operations were to be economical. He further stated that the leading companies in this field had come to the conclusion that the economies of scale which had previously been applied were no longer relevant, so that the annual capacity they were considering was now 1 million tons and not 3 million as stated in the study. The amounts allocated to the various metals in the study should be lowered accordingly. He also supported the view that the technology of sea-bed mining was basically no longer a problem. However, although the designs were available the equipment had not been tested long enough.

31. The representative of Australia said that while the classification of nickel products into two main classes given in paragraph 22 was basically correct there was now a tendency to move away from that clear cut distinction, due to changes in technology and subsequent changes in nickel usage.

32. The representative of the United States questioned the statement in paragraph 46 that producers had made adjustment for inflation in computing their prices, as a matter of deliberate policy. Further in paragraph 47 he questioned the 130-140 per cent cost differential between the mining and processing of laterite ores on the one hand and of sulfide ores on the other and wondered how the laterite producers could make up for the cost disadvantages. With regard to the pricing mechanisms described in paragraph 48 to 50 the representative of the United States stressed that there was too much emphasis in highlighting the pricing system operating at the time when three companies dominated the market. One could not assert that there was a concerted and persistent attempt by certain companies to control the market, adding that the system prevailing in the fifties and sixties was later replaced by a more competitive one. Further he found it difficult to accept the statement in paragraph 50 that demand and supply elasticities could help to explain the price policies practised by the major producers. He wondered whether that paragraph was relevant.

33. The representative of Canada remarked that he also had problems with some of the statements in paragraphs 41 to 50 on pricing. In paragraph 41 the expression "open market price" would be preferable to "free market price". He also pointed out the confusion arising from the lack of clear

distinction between the pricing regime existing till the mid-seventies and the regime existing currently. Therefore, he proposed to delete paragraph 49 from the text and said that the appropriate text amending paragraphs 48 and 50 would be communicated to the secretariat.

34. The representative of Cuba pointed out that in no section of the study was there a mention of the trade embargo imposed by the United States against her country's nickel exports which had contributed to the destabilization of the market and the fall in prices. She added that Table 43 listing non-tariff measures in trade did not reflect this situation. She stressed that the disturbing nature of the measure was that it was applied not only to her country but also to other countries trading in products containing her country's nickel. Commenting on paragraph 112 the representative of Cuba indicated that not all of her country's exports to Japan were duty-free under the GSP. While exports of nickel oxide under CCCN 75.01 were duty-free, nickel oxide sinter classified under 75.01.219 was subject to an ad-valorem duty of 6.5 per cent or ¥ 40.5/kg (whichever was the less) and to an annual ceiling limitation. This situation caused uncertainties for the country's exporters. With regard to paragraph 152 she pointed out that the study did not mention the fact that certain developed countries had announced their intention of not ratifying the Convention on the Law of the Sea and had started consultations on mini-agreements. On the issue of sea-bed mining she remarked that the only nickel product which could be extracted from the nodules were oxides.

SECTION II

35. The representative of the United States pointed out that the only mine in his country which was temporarily shut down in 1982 as indicated at the end of paragraph 54 resumed production early in 1984 but might be shut down again temporarily in the course of 1985 for the purpose of restructuring. With regard to the footnote on page 36 analysing the evolution of nickel consumption trends he commented that it was too conjectural and did not add much to the substance of the study. In this respect he questioned the applicability of the infant industry concept to the analysis of the evolution in consumption levels since technological developments were causing changes in areas of usage. Referring to paragraph 63 he remarked that its meaning was not clear to him, and he questioned the assertion that as stainless steel production rose scrap availability diminished. He thought rather than an increase in steel production led to an increase in scrap availability. On paragraph 65 he stated that the fast rate of growth in nickel consumption in the fifties and sixties was due to the general upward trends in economic growth and development rather than to any attempt by other countries to catch up with the United States level of consumption. On paragraph 70 he questioned the emphasis on price stability having resulted from the policies practised by the major producers in the fifties and sixties. This assertion was not borne out in the accompanying table or chart. He added that while there might have been periods of relative price stability the long-term trend was that of a substantial growth in prices.

SECTION III

36. The representative of Canada pointed out certain discrepancies in the statistical figures on export of intermediate products from Australia. In response the secretariat stressed the problems faced in obtaining accurate trade statistics on nickel. The representative of Australia promised to obtain more accurate statistics from his authorities.

SECTION IV

37. The representative of Canada submitted an amendment to paragraph 22 to reflect the fact that the study did not attempt to describe the impact that trade barriers applicable to nickel co-product metals might have on nickel trade. He requested to delete Canada from paragraph 94 and said that the simple tariff average on nickel manufactures in Canada was lower than that of metal manufactures (other non-ferrous metals included). In order to illustrate the problem of tariff escalation and effective tariff protection the representative of Canada gave as an example the tariffs on certain nickel products in Japan. He said that while the final MTN rate on CCCN 75.01.2 - unwrought unalloyed nickel was Y81/kg having an ad-valorem incidence of 5.8 per cent, a basic calculation of the effective rate of protection gave a figure five times greater than the nominal rate, roughly 30 to 32 per cent. He said that this situation was not peculiar to the Japanese tariff only since the calculation of effective rates of protection in most other country members of the Working Party might reveal similar situations. The example had been given to illustrate the magnitude of the difficulties which Canadian producers of this item might face in the Japanese market.

38. The representative of Japan described certain features of his country's trade in nickel products. He stated that after some years of stagnation the last two years had seen a growth in demand and as a result of decreased competitiveness of domestic industries in this sector the importation of refined nickel had been increasing simultaneously with increased demand and the present average market penetration had reached about 6 per cent in refined nickel. With regard to the Japanese GSP on nickel and nickel products he stressed that, generally, the rate of duty was zero without any quantitative limitations. He had no knowledge of the tariff rate on the CCCN 75.02-19 tariff item referred to by the Cuban delegation, so he reserved the right to reply to the query later. On the question of tariff escalation and effective tariff protection he stated that his government was aware of the importance of tariff escalation in international trade and the various attempts to resolve the issue for which Canada and the GATT secretariat had contributed various useful papers. However, until now no conclusive and acceptable quantitative analysis of the problem had been found and therefore it would be necessary to continue studying the matter until an acceptable solution had been obtained. With regard to the example used by the Canadian delegation he promised to bring the matter to the knowledge of his authorities for their assessment of the calculation used in the example. Finally, he said that his government's intention to reduce m.f.n. rates of duty which he had referred to for tin, also applied to nickel.

39. While expressing his appreciation of the statement made by the Japanese delegation the representative of Canada questioned whether the EEC was in a position to circulate to the members of the Working Party, as had promised, its thoughts and views on alternative approaches to the calculation of effective tariff protection.

40. The representative of the European Communities said that the proposal had been examined in several departments of the EEC secretariat. It was not because the result would be detrimental to the image of the Communities that the EEC were hesitant to circulate it, but they had doubts about the

scientific quality of the approach. He hoped that eventually a clearance would be obtained from the specialized department to enable the document, in existence for several months, to be submitted to the GATT and finally circulated to all interested delegations.

41. The representative of Australia questioned the statements in paragraphs 114 and 131 that Australia exported ferro-nickel to New Zealand and Hong Kong, since to his knowledge Australia did not produce any ferro-nickel. The secretariat promised to check the accuracy of this information.

SECTION V

42. The representative of the United States disagreed with the statement in paragraph 155 that there was no international co-operation on nickel similar to that on other metals, prior to the attempts to set up the nickel study group. He stressed that the creation of an international institution was not a necessary condition for promoting international co-operation. He preferred a more neutral statement indicating the desire for increased international co-operation on nickel for which a nickel study group would be an appropriate body.

Summary and Observations

43. The representative of Canada noted that the secretariat summary faithfully reflected the main thrust of the study. However, he suggested a few changes in paragraph 164, firstly to tone down the influence of the three main producers on prices, secondly to reflect more accurately the degree of country participation in the world nickel industry and thirdly to stress the fact that prices on the world market were reflected in but not determined by LME operations. He proposed a new paragraph saying that the study did not consider the impact that trade barriers applicable to the co-product metals in nickel operations might have on the structure and pattern of trade in nickel and nickel products. The representative of the United States supported the changes proposed on paragraph 164 by Canada. He thought that paragraph 166 should qualify the degree of price stability in the nickel market and the influences of the three main producers on prices.

44. In summarizing the discussion on nickel the Chairman remarked that there had not been a vigorous exchange of view on the problems of international trade in nickel. He considered that this reflected the Working Party's general satisfaction with the way the issue had been treated in the secretariat study. He recalled further that delegations might come back to the matter after having had more time to examine the documentation. He reiterated that delegations also had the option of making written corrections and addenda to the secretariat paper.

45. At the end of the discussion a number of delegations questioned the possibility to issue the revised and consolidated documents on both tin and nickel incorporating all corrections and amendments of a technical nature made in the course of the discussion. They pointed out that their industries might use these studies as a reference and for this reason it would be preferable to have one consolidated document without corrigendum or addendum. The representative of the secretariat explained the technical problems involved and the possible effect on the timetable for the

production of other documents under preparation. He agreed, however, that the proposed revision and consolidation had merit and that such a possibility would be considered, at a later stage, after the remaining documentation had been completed. Meanwhile, the report and minutes on the discussion would reflect as faithfully as possible the views and comments expressed by the various delegations.

46. Referring to the aluminium study currently under preparation by the secretariat, several delegations pointed out the importance of the aluminium industry and trade to their economy. They noted that as in copper there existed certain problems in the international trade in aluminium which deserved particular attention. In this respect the representative of the European Communities mentioned that a discussion had been held by four major European producers of aluminium with Mr. De Clercq on unfair trade practices maintained by some countries, and promised to submit documentation on this subject to the secretariat.

47. Closing the discussion of the Working Party, the Chairman informed that the draft of the study on aluminium was planned to be ready by the end of October. Following the established procedure it would then be submitted for technical comments to delegations. Having in mind the heavy schedule of meetings in the autumn as well as the time required for corrections and the issuing of the study in its final form he considered that the meeting on aluminium should be scheduled not earlier than end of this year.