LEAD AND ZINC CONSULTATION

Notes for Statement by Australian Delegation

(Distributed as a working paper by the Delegation of Australia)

1. Australia has been anxious for a consultation on lead and zinc before the rates in the common external tariff are finally decided by the Six.

2. Main points:
   (i) Advantages of rates being kept at zero.
   (ii) Dangers to trade of others (i.e. likely damage) if rates set above zero.

3. To recall points will just mention main headings:
   (i) Brief introduction.
   (ii) World Trade Pattern.
   (iii) Request for zero tariffs on lead and zinc ores, concentrates and metals:
      (a) Arguments in favour.
      (b) Impending damage if tariff exceeds zero.

4. However, first would wish to make brief reference to: Australian industry - its rôle as producer and exporter.

5. (a) Australia as Producer

<table>
<thead>
<tr>
<th></th>
<th>1958</th>
<th>1000 metric tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zinc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mine production - metal content</td>
<td>267.1</td>
<td></td>
</tr>
<tr>
<td>Smelter production - smelter production</td>
<td>117.0</td>
<td></td>
</tr>
<tr>
<td>will increase by 35,000 tons from 1961 minimum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mine production - metal content</td>
<td>331.7</td>
<td></td>
</tr>
<tr>
<td>Smelter production - + from 1961 - 30,000 tons smelter Cockle Creek</td>
<td>253.2</td>
<td></td>
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</table>

In both cases Australia is to be regarded as one of the world's largest producers - although more important in lead than in zinc.

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English only/anglais seulement
Production of both lead and zinc ores and concentrates in Australia has expanded in recent years. Australia is now the world's largest producer of mine lead, and the third largest producer of mine zinc. Production of lead in ores and concentrates in 1958 was 337,000 tons. Production of zinc in ores and concentrates was 271,000 tons.

Australian smelter output of lead and zinc metal has also expanded. Output in 1958 was 258,000 tons of lead bullion and refined lead and 117,000 tons of zinc slabs, ingots, etc.

(b) Importance of Australia as an exporter

The value of free world lead exports, i.e. ores, concentrates and metals combined in the calendar year 1956 was US$240 million. Of this amount Australia was the largest individual exporter with $71 million, i.e. almost 30 per cent of world lead exports.

For zinc (ores, concentrates and metals) total free world exports in 1957 were about $180 million, of which about $9 million were exports from Australia, i.e. 5 per cent of world zinc exports.

As Australia holds such a prominent position as a world exporter of these metals, any factors affecting trade in them would have repercussions on Australian exports and thus the Australian economy.

(c) As with many other countries the Australian lead and zinc industry has special social connotations:

\[ \text{Broken Hill} \quad \text{Mt. Isa} \quad \text{Development} \]

(d) Moreover, Australian lead and zinc exports in all forms represented 5.7 per cent of total Australian exports in 1957/58. Being such an internationally-traded commodity, any policy directed by large users against imports would quickly have a serious effect on Australian export income, thus

(i) reducing her capacity to purchase from industrial countries like the Six; and

(ii) impeding our development which relies heavily on imports.
(e) Whilst Australia enjoys a slightly preferred position in the United Kingdom market for lead and zinc metal as a result of long-standing preferential arrangements approved by the GATT. She has otherwise to trade on a completely free basis and to meet world competition.

(f) This we have managed to do, chiefly because we are competitive producers due to our high grade ore reserves and despite high wage and transport costs. However, our natural advantages are reduced whenever heavy tariffs and quotas are imposed.

(g) Fortunately on the whole we have not previously had to face heavy tariffs on quotas,

(i) except in the United States where the tariffs have long been high and more recently where, in the sense of the GATT, illegal quotas have been imposed; and

(ii) in Italy and France where some relatively high duties and sometimes quotas have impeded trade. However, entry to the net importing countries of the Six has been generally without undue difficulty for us.

(h) It is the danger of a high tariff by the Six countries as a whole which disturbs us; the Six being so important in world production and trade in these metals.

6. Importance of the European Economic Community

I will perhaps be forgiven if I develop this aspect fairly fully quoting some of the essential statistics to show the magnitude of the matter we are discussing.

The countries of the EEC together consume about one fifth of total world consumption of both lead and zinc.

Lead

In 1957, production of ores and concentrates in the European Economic Community amounted to 146,800 tons, while smelter production of metal (including some scrap) amounted to 412,800 tons. Imports of lead ores and concentrates from outside the Community amounted to 185,400 tons in 1957. The market of the Six was of special direct importance to some exporters.

Note: Of these imports of ores and concentrates 1 per cent supplied by the OT's of the Six, but 33 per cent supplied by Morocco. Australia supplied 2,300 tons, say 1½ per cent. But in 1958: Out of 210,000 tons, Australia supplied 14.6 - 7 per cent.
The Six are also substantial importers of unwrought lead, and in 1957 imported in all 165,800 tons of lead bullion and refined lead, i.e. about one quarter of the quantity of unwrought lead moving in international trade. Imports from third countries amounted to 129,000 tons. Of these 129,000 tons Australia supplied only 1,000. But in 1958 we shipped nearly 8,000 tons out of total imports of 120.4 or nearly 7 per cent.

We think it not without significance that of the 7 per cent of the EEC imports of lead ores, concentrates and metals which we supply, practically all was shipped to those countries which now have duty-free entry. Were they to impose duties we would expect our trade to suffer.

Zinc

The Six are large producers of zinc metal, and smelter production in 1957 amounted to 652,700 tons. The metal content of ores and concentrates' production in 1957 was 297,100 tons, while the metal content of imports of ores and concentrates into the Community amounted to 369,000 tons.

Of imports of zinc ores and concentrates 13 per cent came from Morocco and Tunisia - both members of the Franc zone.

But 16 per cent (59,300 tons) was supplied by Australia - the largest single supplier.

The bulk of Australian supplies went to Belgium although some went also to Germany, France and Holland.

The Six are both importers and exporters of zinc metal, but are net exporters. In 1957, the Community imported 102,200 tons and exported 191,300 tons. There is a large trade in zinc metal between the Six, and in 1957 this trade amounted to 49,400 tons.

Australia supplies very little zinc metal to the EEC.

So much for our trade in lead and zinc when viewed from the angle of the Six.

From Australia's export viewpoint:

Australian exports of lead ores and concentrates in 1957/58 were 100,000 tons, of which the Six took 23,300 tons (23 per cent). Exports of primary lead metal and scrap were 226,000 tons, 7,250 tons (3 per cent) going to the Six.
Our exports of zinc ores and concentrates in 1957/58 were 292,000 tons, the Six taking 97,700 tons (33 per cent). Exports of zinc metal to the Six were negligible. Therefore, from whichever angle one looks at this the Six are very important to our trade in lead and zinc - and our direct trade is big enough for any major change in policy by the Six countries to have important consequences for us.

There is also our trade with the United Kingdom, whose direct trade with the Six in various forms of lead and zinc is significant and many of whose products contain a percentage of Australian-produced metal.

Finally, we have concentrated on the importance of the Six generally and especially in relation to Australia. But the markets of the Six are also very important for other countries.

In total this is well brought out by looking at smelter production of lead and zinc in the EEC.

**EEC Smelter Production**

<table>
<thead>
<tr>
<th></th>
<th>1957 (in '000 metric tons)</th>
<th>1958</th>
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<tbody>
<tr>
<td>Lead</td>
<td>413 (17% of world production)</td>
<td>398 (23% of world production)</td>
</tr>
<tr>
<td>Zinc</td>
<td>653 (21% of world production)</td>
<td>830 (29% of world production)</td>
</tr>
</tbody>
</table>

But look at mine production in the EEC

<table>
<thead>
<tr>
<th></th>
<th>1957 (in '000 metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead</td>
<td>147,000 (Germany, France, Italy) i.e. only 6% of world production</td>
</tr>
<tr>
<td>Zinc</td>
<td>297,000 (Germany, France, Italy) i.e. only 9% of world production</td>
</tr>
</tbody>
</table>

That is: Looked at as a whole the EEC smelter industry is designed to treat the production of others more than of EEC countries.

This leads to the:

**Justification for Duty-Free Entry into the Territory of the Six**

But in another way there is

(i) Heavy dependence of EEC on imported supplies for total requirements; e.g. Lead 1957 Smelter capacity 413,000 tons - domestic production of ores 147,000 tons; difference of 266,000 tons (65% of total) to be covered by imports and scrap. Zinc 1957 Smelter capacity 653,000 tons - domestic production of ores 297,000 tons; difference of 356,000 tons (55% of total) to be covered by imports and scrap.
(ii) Would it not be inequitable if these outside suppliers were denied by the imposition of duties on raw materials:
(a) access to this smelting capacity;
(b) the opportunity which the existence of this capacity affords to these outside countries of supplying to the expanding market of the Six on an economic basis.

(iii) There can only be two reasons for a tariff:
1. protection of uneconomic mines within the Common Market; and
2. protection and preferential access for the AOT's.

Re (i) uneconomic mines within the Common Market

(i) We know that many mines in the EEC countries are low-cost production. These mines need no protection.

(ii) But there are some high-cost mines. The question is - and it is one for the Six to determine - whether the benefits to be gained from protection of the high-cost mines would outweigh the disadvantages; the main disadvantages are:
(a) rising European costs;
(b) affecting consumption especially of lead for which the long-term outlook is questionable;
(c) effect on overseas suppliers like ourselves - up to 25 per cent of whose primary product may be currently exported to the Six; and
(d) consequent effect on EEC exports to those suppliers.

(iii) Currently imports from all sources into the EEC (except Italy) are afforded duty-free entry. Italy has a legal tariff of 5 per cent, but in 1957 Italy imported only 400 tons of lead ores and concentrates and imports of zinc ores were nil.
(We do not know if imports were limited by other factors, e.g. quantitative restrictions or special trade arrangements.)

(iv) A tariff above zero is not justifiable on the basis of the existing levels of duty in the constituent members of the EEC. Italy, which imposes tariffs at present, has only a negligible trade. Moreover, Italy produces only one eighth of the total EEC requirements of lead ores and concentrates and only one fifth of total EEC requirements of zinc ores and concentrates.
(v) We would seriously question whether protection is justified for an industry – in fact only part of an industry, as some of the EEC mines are very efficient – which supplies such a relatively small part of total EEC needs.

(vi) We could understand the social problems which might have to be faced in the absence of protection for particular mines but we would think there are other ways of dealing with these problems rather than by causing major disturbance to such an important industry as the non-ferrous.
Re(2) Protection to and Preference for A.O.T.'s

(i) Unnecessary for Australia to repeat our views on preferences for A.O.T.'s.

(ii) Have developed arguments not only in relation to metropolitan areas but in respect of A.O.T.'s because these two cannot be separated, i.e.

(a) if you protect metropolitan mining industries under terms of Treaty of Rome A.O.T.'s automatically enjoy preference

(b) if you decide to give A.O.T.'s preference by tariff - then you give protection to metropolitan EEC industries.

Hence different from coffee and cocoa.

(iii) We regard preference to A.O.T.'s as unjustified in principle. In the past the EEC has usually argued that on a tropical product there is an agreed rate already. Now we suggest you do not commit yourselves to a preference. As regards cocoa you might argue that you had no choice - in lead and zinc you do have a choice.

Effects of Production in the A.O.T.'s

(e) Duties higher than zero would clearly confer a price advantage on producers in the A.O.T.'s who would also have the assurance of a duty-free market in the EEC. Grades and qualities of lead and zinc do not differ as between producing countries, and therefore subject to mine smelter tie-ups, price is the determining factor in the market. A preference of say 5 per cent would give a significant price advantage to the A.O.T.'s - approximately £4 per ton for lead and £4.10 per ton for zinc. Australia's relative low-cost efficiency in producing these metals could be reduced or nullified by such preferences.

(b) The Belgian Congo is already a significant producer and exporter of zinc ores and concentrate and zinc metal. Production of zinc ores and concentrates in the Kipushi Mine in the Congo amounts to 200,000 tons per annum. One half of this or 100,000 tons is exported each year and in 1957 30,000 tons was exported to Belgium
and 5,000 tons to France. The Metalkat Company which operates the Kipushi Mine also produces 50,000 tons of electrolytically refined zinc metal each year. It is understood it hopes to expand output to 100,000 tons in 1960 utilizing cheap hydro-electric power.

(c) These only illustrate the kind of zinc mine exploitation which could be developed further with a preference—especially if aided by the Development Fund.

(d) The A.O.T.'s are at present relatively minor producers of lead. French Equatorial Africa produced 6,300 tons of lead concentrates in 1958, most of which was exported to France. Some small production also takes place in the Belgian Congo.

(e) Mineral surveys in Africa are incomplete. Lead and zinc ore bodies are known to exist, however, and some are being worked at present. The Compagnie Minière du Congo Français is understood to be currently studying the possible extension of mining of the known deposits in French Equatorial Africa. Several new low or medium grade lead-zinc deposits have been discovered in the Mindouli region. It is possible that this group of deposits could, in several years time, be exploited profitably, taking into consideration their favourable position in relation to the Congo-Ocean railway line.

(f) The introduction of a tariff greater than zero whilst allowing duty-free admission of lead and zinc from the A.O.T.'s would give producers in the A.O.T.'s an assured preferential market. This would lead to artificial stimulation of efforts I have described. The consequent increased production would displace exports of lead and zinc by third countries to the EEC, such diversion constituting damage to their trade.

(g) These effects would be heightened and accelerated by a diversion of private capital outflow from the EEC into mining production in the A.O.T.'s. Moreover, capital from the $580 million Development Fund which is to be allocated in the next four years could be channelled into lead and zinc mining and smelting enterprises in the A.O.T.'s. Such investment might not take place (at least to the same degree) in the absence of a tariff preference.
Metal

(i) What has been said of ores and concentrates largely applies to metal - both lead and zinc.

(ii) Lead and particularly zinc smelting in the Six is, generally speaking, highly efficient. The industries of the Six have developed special methods of dealing with complex ores and concentrates from third countries, and do not need protection through a metal tariff. Let us look at some facts:

(iii) The largest importers of lead and zinc metal into the EEC, the Benelux and Germany (5% legal tariff suspended), currently give effective duty-free entry for these metals.

(iv) In calendar year 1957 the EEC imported from external sources 130,000 tons of lead metal and 53,000 tons of zinc metal. Of these amounts 75,000 tons of lead (i.e. 60% of total imports) and 47,000 tons of zinc (i.e. 90% of total imports) were admitted duty-free into the Benelux and Germany.

(v) These percentages remain the same even when intra-trade among the Six is included.

(vi) Only 40% of lead metal imports and 10% of zinc metal imports therefore were subject to duty (France and Italy). The bulk of the lead imports were subject to the lower duty (8%) of France and not the 13% of Italy.

(vii) For our own part we are big enough exporters so that any protective duties which may be imposed would have an effect on us through the inter-action of the markets - e.g. on consumption, and through a diversion of other normal exports to our traditional markets.

(viii) Considering the size of the EEC market any overall upward tariff movement would have widespread effects.

(ix) We also see the same kind of problem arising in relation to the AOT's whose smelting capacity has grown and could be encouraged to expand under a preferential tariff.
Morocco and Tunisia

In making the comments we recognize that they do not immediately apply to Tunisia and Morocco. However, because of the special relationship of these countries:

(i) Through the Tunisian trade agreements with France; and

(ii) through the possible later development of some special arrangement as envisaged in the Declaration of Intention in the Treaty of Rome. We should recognize that the establishment of a common external tariff rate on lead and zinc could have quite serious effects on Australia if later:

(a) Morocco and Tunisia should work out a special association with EEC; or

(b) Tunisia enjoyed in the rest of the Six the special free entry provisions which it now has with France.

These countries, members of the Franc zone, are at present substantial producers of lead and zinc ores and concentrates and lead metal. In 1938 their production of lead ore was only about 40,000 tons but this rapidly expanded to 172,000 tons in 1958.