1. The consultation on aluminium under Article XXII of the General Agreement with the Member States of the European Economic Community was held in Geneva on 8 December 1959. The consultation took place at the request of the Government of Australia.

2. In addition to the Member States of the European Economic Community the following other contracting parties participated in the consultation: Australia, Austria, Canada, Ghana, Norway and the United Kingdom. Representatives of participating countries also invited a representative of Jamaica to supplement the statement which the United Kingdom delegate had made on behalf of that country. The Chair was taken by Mr. Savini (Italy).

3. The discussion took account of the Working Party's Report on Aluminium, Alumina and Bauxite (L/805/Add.11) and of various memoranda and data provided by several of the participating contracting parties.

4. In order not to burden the minutes and since the views expressed individually by the representatives of each third country were generally shared by the others, these views are recorded as the views of "representatives of participating countries other than the Six".
Introduction

5. Representatives of participating countries other than the Six explained that the consultations had been requested to enable them to present their views prior to the negotiation by the Six of the common tariffs for aluminium (bauxite, alumina, metal). They had asked for consultations in order to urge that these tariffs should be fixed at zero. These representatives went on to say that they appreciated the goodwill and spirit of co-operation in which the Six were attending the consultations and they recognized that the Six would probably not, at the present time, be able to take a position on the views which they would put forward. They hoped, however, that the representatives of the Six would convey these views to their Ministers, so that they would be taken into account when the common tariff rates for this group of commodities were being negotiated.

6. The representative of the Six said that the Six had agreed to enter into consultations on aluminium (bauxite, alumina and metal) on the conditions laid down by the Intersessional Committee and accepted by the six governments of the Member States. He recalled that, in the letter of acceptance addressed by the Chairman of the Council of the Community to the Chairman of the CONTRACTING PARTIES, the Six stated that consultations could only deal with specific cases arising out of the application of the Treaty of Rome by one or several Member States of the Community. Although, in fact, it was difficult to visualize the existence of specific cases, as the common tariff rates to be applied to the products under consideration were still the subject of negotiation between the Member States, the six governments have not opposed the wish of the Australian Government who asked that consultations should be held. However, the six governments wished it to be clearly understood that this in no way prejudiced the considerations which he had just mentioned.
Importance to the economies of participating countries of aluminium exports (bauxite, alumina and metal) to the EEC

7. It was pointed out that aluminium was a product of substantial importance to several countries. In the case of Canada for example in 1958 exports of primary aluminium were valued at $208 m., of which approximately 10 per cent was shipped to the markets of the Six. In the first nine months of 1959 approximately 12 per cent of Canadian aluminium exports had been shipped to Common Market countries. Direct exports from Canada to the Six at the present time were valued at more than $20 m. annually which made this trade important both in absolute terms and as a proportion of present production and exports. It was therefore significant for Canada to have real opportunities for expanding exports of aluminium to the Six in future years as the consumption of this product was bound to increase within the Common Market, especially as requests coming from importing countries of the Six for a greater supply of aluminium had led to major investments in productive capacity within the last several years. Productive capacity in Canada was rated at some 780,000 metric tons of metal annually. Of this capacity about 75 per cent was currently employed. Although world consumption of aluminium was expected to increase rapidly it was noted in this context that existing capacity and projected capacity in the final stage of completion, in Canada as well as in other countries, was sufficient to take care of anticipated demands until about 1965-1966.

8. In Norway natural advantages in the production of cheap hydro-electric power had after the war led to a very marked expansion of the aluminium industry, resulting in an increase of capacity from about 27,000 metric tons by the end of the war to about 120,000 metric tons in 1958. At the present time there were concrete plans for a further increase to about 200,000 metric tons in the near future. Within a few years it was expected that aluminium exports alone would account for approximately 12 per cent of Norway's total exports. These investment and development plans had been made in the light of Norway's legitimate expectation of participating in the economic expansion within the Common Market countries and also on the basis of important long-term contracts for the supply of aluminium to users in one of the Member countries of the Community.
The principal markets for the Norwegian aluminium industry in 1958 had been Great Britain, the United States, Germany, Sweden and the Benelux countries. Together the Member countries of the EEC were the largest importers, accounting for some 24,000 metric tons out of 110,000 tons exported by Norway, i.e. 22 per cent of total aluminium exports.

9. Austria, as one of the largest producers of aluminium in Europe, also had an important interest in the unimpeded access for this product to the markets of the Member Countries of the EEC. Out of the production in 1958 of about 75,000 million tons of aluminium, 32,000 tons, valued at approximately $16 million, had been exported. Of these exports about 60 per cent had gone to Common Market countries. It was pointed out that over the past five years Austria's exports of aluminium had increased by about 50 per cent, and that the production of aluminium in the current year had further increased, attaining 87 per cent of total production in 1958 during the first nine months of 1959.

10. The representatives of several participating countries other than the Six indicated their interest in the duty-free entry of bauxite and alumina into the Common Market countries. Australia, for example, had discovered considerable reserves of bauxite and it was expected to export this commodity within a number of years. Many of the producers of bauxite and alumina were under-developed countries which were particularly dependent upon these exports. Jamaica, for example, which in 1958 had exported 5.7 million tons of bauxite and was thus the world's leading exporter of this commodity, had until recently been almost entirely dependent for its export earnings on the export of bananas and sugar. The fortunate discovery and the development of bauxite and alumina exports had enabled that country's government to initiate and finance a development programme which had shown some success in reversing the trend of declining per capita incomes which had previously characterized the economy of Jamaica as a result of a stagnation of conventional exports in connexion with a steady increase in population. The success of this programme had no doubt contributed to the political stability of that country in an area of considerable political unrest. Though most of Jamaica's
exports of bauxite were at present moving into the United States and those of alumina, in the following order of importance, into Canada, Norway and Sweden, there was considerable concern that the indirect effects of the imposition of an import duty on aluminium by the EEC countries from outside suppliers would lead to a cutback in import demand for the exports of bauxite and alumina. This concern was aggravated by the fact that under the preferential arrangement for imports into the Six from the Associated Overseas Territories (AOT's) there would be a tendency for the mining companies to increase production in the preferential areas at the expense of such countries as Jamaica. While the development of new industrial projects on the African continent was warmly welcomed by Jamaica, it was asked that outside producers be given a fair chance to compete in the markets of the EEC. It was also indicated that in the long run Jamaica would be interested in increasing the proportion of its exports of aluminium as compared to the export of bauxite because of the additional contribution of the processing industry to national income and to the improvement in the standard of living, and also because of the very real limitations flowing from the impossibility of transporting a bulky product of relatively little intrinsic value over long distances.

11. In the case of British Guiana exports of bauxite also moved mainly to the United States and Canada, with little or no trade to the Six. The completion of an alumina plant was scheduled for 1961. In the case of both British Guiana and Jamaica the main concern was with the adverse indirect effects which would result from the establishment of a non-zero tariff on imports of aluminium metal by the EEC countries. This concern was particularly pronounced because both Canada and Norway imported about 80 to 85 per cent of their metal requirements from Jamaica and British Guiana. British Guiana did, however, have a direct trade interest with the Six in the shipment of calcinated bauxite, which was exported to all the metropolitan countries of the EEC except Luxemburg. This interest was confined mainly to highly calcinated bauxite used for refractory purposes. During the period 1953-57 a large part (46 per cent) of the exports of British Guiana of calcined bauxite classified under EN 38.19 had been imported into France over a zero duty.
While the proportion of exports from British Guiana of this commodity into France had further increased in 1958, it was likely that this trade would suffer injury, as the EEC had recently notified the United Kingdom Government that the common tariff on highly calcined bauxite classified under EN 38.19 would be 4 per cent. With regard to calcined bauxite for abrasive purposes, it was understood that this item would be classified under EN 26.01 and would accordingly attract a zero duty.

12. Reference was also made to the newly established bauxite industry of Sarawak. In 1958 approximately 100,000 long tons, valued at some £200,000, were exported and it was expected that total exports for 1959 would be in the neighbourhood of about 200,000 long tons. The deposits had proved to be larger than had originally been thought, and it was hoped that there would be a further expansion of production, especially as the bauxite was of good quality. While at present all exports from Sarawak were directed to Formosa and Japan, it was nevertheless possible that at some future date exports to the Six would be contemplated.

13. Ghana was another country largely dependent on one export commodity: cocoa. For this reason it was important for Ghana to be able to expand its exports of such other products for which it had natural cost advantages. While the country at present exported mainly bauxite it was especially interested in the export of aluminium. Exports of bauxite from Ghana in 1958 had amounted to about 207,000 tons, valued at approximately £496,000. Ghana possessed proven ore reserves of bauxite in excess of 200 million long tons with an average total alumina content of approximately 47 per cent. In view of these reserves and in view of a substantial hydro-electric power production potential from the Volta River it had been estimated that an aluminium smelter with a capacity of 220,000 long tons per annum could be established, producing
at costs comparable to those of other low-cost producing areas of the world. It was pointed out that the Government had started preliminary work on the hydro-electric project. At the same time discussions with the International Bank for Reconstruction and Development and interested governments were in progress on the question of financing the project. A number of major aluminium companies were discussing the formation of a consortium to establish the aluminium plant in Ghana.
Estimated Import Requirements for Aluminium in the EEC Countries in the Period 1960-1970

14. Representatives of participating countries other than the Six noted in this connexion the implications of the ACT's link with the Six for world trade in aluminium. Reference was made to the report of the Working Party (L/805/Add.11) issued in August 1958 which clearly set forth the views expressed by the participants on this subject.

15. The representatives of participating countries briefly analysed the market for aluminium, alumina and bauxite which was likely to evolve in the countries of the Six during the 1960's. At present the Six, as a group, were net importers of aluminium. On balance, France had been a net importer, but this position was more than offset by the import requirements of the other members from outside the Community. During the 1960's, as the Common Market gradually was to fuse into a single market, the whole EEC would take on the characteristics of a nett importing country, which was expected to become particularly pronounced after 1961 and which was to last for a period of years thereafter up to the mid-1960's at least. It was noted that there were factors of strength in the expectation of increased consumption for aluminium in the EEC countries flowing from the relatively low level of per capita consumption as compared for example with the United States or the United Kingdom. To indicate the order of magnitude, it was pointed out that in 1956, for example, aluminium consumption in the United States had amounted to 25.6 lbs. per capita, to 12.8 lbs. per capita in the United Kingdom and to an average of 7.1 lbs. per capita in the Common Market countries. The way appeared open therefore for a rapid increase in the consumption of aluminium in the Common Market countries, by merely putting this metal to use for purposes which were already well known. Another factor of strength contributing to an expansion in the use of aluminium was the outlook for a high rate of economic growth in the EEC. It could therefore be expected that the consumption of aluminium in the EEC would grow considerably and that the import requirements of the Six for this commodity would provide a major element, probably the main element, of the growth in this trade between countries during the decade of the 1960's.
16. Representatives of the countries participating in the consultation briefly turned to an examination of different estimates about the size of the import requirements of the EEC for aluminium. Differences in the estimates had arisen mainly from varying expert judgments about the annual increase in consumption which would occur within the EEC. In the estimate of the Six the rate of increase of consumption had been estimated to be as high as 10 per cent per annum. The forecast worked out by experts of the non-Six had on the other hand assumed a rate of increase of consumption of 6 to 7 per cent per annum. An independent source, the staff of the World Bank, in a report published in September 1959, had assumed a rate of increase for EEC consumption of aluminium up to 1965 of 8.5 per cent per annum and an annual increase of about 9 per cent per annum between 1965 and 1975. On the basis of these estimates the Six had forecast an aluminium consumption in the Common Market of 1,550,000 metric tons in 1970. The estimates of the Bank's staff of the non-Six for aluminium consumption in the EEC in 1970 were 1,400,000 tons and 1,106,000 tons respectively. From these projections the estimated production within the EEC had to be subtracted from the consumption figures arrived at above in order to determine the amount of aluminium the Six would have to import from all sources in 1970. In the Working Party report referred to above, members of the Six had pointed out that even if certain development projects in Africa (Konkoure, Kouilou and Inga projects) were realized by 1970, there would still remain a demand for imports from outside countries of 100,000 tons to 200,000 tons. It was noted by representatives of participating countries other than the Six that this figure compared roughly with the amount by which the demand projection of the Six for 1970 exceeded the demand projection of the staff of the World Bank for the same year, namely by 150,000 tons.
17. In a re-examination of the supply and demand situation, account was taken of the link between the Six and the AOT's, which joined a large industrial area where aluminium consumption was bound to grow rapidly, and a group of overseas territories which had their reserves in the form of large reserves of bauxite and low-cost power possibilities to become economic producers of aluminium. It was also noted that plants located in the AOT's would have at their disposal the most modern and efficient techniques for producing aluminium which, together with the duty-free access to the EEC market, would favour the establishment of highly efficient industries. It was recognized that if pushed ahead certain hydro-power developments in Africa could be completed by 1970. Of these projects those falling within the AOT's or within countries which were likely to be accorded equivalent treatment, included the Konkoure River Project with a planned capacity of 150,000 metric tons per annum, the Kouilou River Project with a planned capacity of 250,000 metric tons per annum and the Inga River Project with an envisaged annual capacity of 500,000 metric tons. It was also expected that a plant which was scheduled to start operation in Surinam by 1965 would produce another 54,000 tons of aluminium. Surinam had very large high-grade bauxite reserves of about 50 m. tons and potential low-cost hydro-electric power possibilities. So far as the projects in Africa were concerned technical plans for the Konkoure Project were complete and those for the other two projects were also well advanced. Thus, it was known that a capacity of more than 900,000 tons was realizeable by 1970. Representatives of the participating countries other than the Six particularly noted that their own estimate of import requirements of the EEC in 1970 from all sources including the AOT's and associated countries of 585,000 tons, as well as the estimates of the staff of the World Bank of 830,000 tons for the same import requirements, were well below the supply of more than 900,000 tons which could be realized by 1970 from the above-mentioned projects.
18. There was, however, still another factor which had only recently come into view on the supply side, namely the additional production of aluminium from thermal power based on supplies of natural gas from the Sahara. The previous estimates which have been referred to above assumed that new production in the EEC itself would be based mainly on hydro-power. However, this assumption was apparently no longer entirely valid. It had been learnt, for example, that an aluminium smelter with a substantial capacity, possibly around 150,000 tons, was contemplated within the EEC at Mostaganem in Algeria. The important point in this development was not only that an extra 150,000 tons of metal might be produced by thermal power, but the possibility of further increases in production on the same basis. For example, it was quite possible to transport natural gas across the Mediterranean and to set up power facilities based on natural gas within the European continent. Therefore, the assumptions which had been made about the future level of output in the EEC, assumptions based on the availabilities of hydro-power, were now far from certain.

It was pointed out that productive capacity based on thermal power could be brought into being more quickly than could similar capacity based on hydro power, which required time for the planning and construction of dams on each of which was unique in some respect. This development made the long-range prediction of supply within the Common Market more difficult, with the result that estimates of production within the EEC had now to be regarded at best as minimum figures. It also seemed necessary therefore that the estimates of the import requirements of the Six from outside the EEC proper should be reviewed in the light of this new factor. Allowing for only 150,000 tons of new thermal based production of aluminium within the Six, the estimates by the non-Six of the import requirements of the EEC from all sources by 1970 had to be adjusted downward to 435,000 tons (i.e. the original estimate of 585,000 tons, less 150,000 tons). A similar adjustment of the estimate by the staff of the World Bank of imports required by the Six in 1970, would bring this figure to 680,000 tons. These figures clearly indicate that realizable supplies in the AOT's and associated countries in 1970 greatly exceeded the import requirements which the Six themselves had estimated.
Arguments in Favour of a Zero Tariff

19. The representatives of the participating countries other than the Six pointed out that the imposition of a new common tariff on aluminium by the EEC would be a clear incentive towards an acceleration of the construction of aluminium capacity within the AOT's and other associated countries. Such a tariff would confer on internal suppliers a price advantage which would last until internal production was sufficient to produce keen competition within the whole region. It had to be expected that investors in new plants would wish to bring these plants into early production to take advantage of the market benefits which would be available behind a protective tariff. In view of the situation referred to above the over-rapid expansion of productive capacity in the AOT's would probably mean surplus world capacity with a consequent threat to the long-term structure of prices and the danger of a wasteful use of scarce capital resources. It was pointed out that in the case of aluminium such a waste resulting from idle plant capacity would be especially great because of the high level of required investment outlay per ton of basic capacity. For example, facilities for producing steel ingots from ores were estimated to cost roughly $ 300 per ton as compared with approximately $ 1,000 per ton of aluminium. These members stated that the discussions had made it clear that there was no world shortage of bauxite and that despite the expected rapid increase in aluminium consumption there was sufficient productive capacity in being, or very near completion, to satisfy the anticipated demand for this product for at least another five years. It was explained, however, that the unused existing capacity consisted to some extent of older facilities than were being employed in current production. There would therefore be a tendency for unit costs of production to rise when output was expanded again. It was pointed out in this context that the fears, which had often been expressed, that a tariff on aluminium was necessary to protect producers in the EEC countries against imports from low cost producers, were unjustified. It was emphasized by the representatives of the participating countries other than the Six that they did not object to the development of productive capacity as such in the AOT's and similarly placed countries. It was thought, however, that the most appropriate and sound way to promote such development was to phase in new production as market conditions warranted, and to avoid tariffs which would lead to over-rapid investment and to excess capacity in the world industry.
20. Representatives of participating countries other than the Six also pointed out that the actual access of the bulk of the aluminium imported into the Six over the past several years had been duty free. The Benelux tariff was zero. Germany in particular had granted duty-free quotas, for example for 40,000 tons of unalloyed aluminium in 1959 and for 56,000 tons in 1960. Arrangements within France had, within limits, allowed for the importation of aluminium for which the importer paid no more than world price, excluding tariff. Since France was a net exporter and an efficient producer it was doubtful whether any imports would be made if the duty of 20 per cent had to be borne by the importer. For example, the c.i.f. price for Canadian aluminium shipped to France was about 50 cents per kg. and the French duty if applied would be 10 cents, a total of 60 cents, as compared with the French price for domestic metal of about 45 cents per kg. In the case of Italy drawbacks were granted on imports of metal which was re-exported in processed form. Imports of aluminium into the Six in 1958 had amounted to approximately 153,000 metric tons, consisting of both primary aluminium and alloy. Of this total Germany had imported some 68,000 tons, as compared with the German duty-free quotas of 40,000 tons of unalloyed aluminium, plus 9,500 tons of unwrought aluminium for special purposes, or a total duty-free quota of 49,500 tons. The Benelux countries had imported some 50,000 tons which had entered duty-free and France, and Italy had imported 29,000 tons and 6,000 tons respectively. It was noted, however, in this context that productive capacity in outside countries had been expanded specifically for the purpose of supplying the needs of the importing countries of the Six in order to avoid shortages as demand expanded.

21. These representatives also pointed to the adverse effects which the establishment of a tariff would tend to have on the growth of consumption within the Six during the period when prices were relatively high. Also the creation of a market for ACT aluminium by artificial means would damage outside countries by leading to a diversion of trade which might possibly even lead to the exclusion of outside suppliers from EEC markets. Damage by diversion of trade, moreover, would go beyond the traditional suppliers of the metal, and would affect the established suppliers of alumina and bauxite to the mainly metal exporting countries. For example it had been shown that the aluminium industries of important exporting countries such as Canada and Norway were themselves large purchasers of raw materials, mainly from less-developed or developing areas.
22. In summing up the views expressed by the representatives of participating countries other than the Six it was felt that damage of the following nature would unquestionably ensue if the EEC tariff on aluminium exceeded zero:

(a) diversion of trade in the metal, particularly in the latter part of the 1960's;
(b) over-rapid expansion of capacity in the AOT's and associated countries would mean unnecessary duplication of productive facilities and excess capacity, and would lead to a wasteful use of scarce capital resources;
(c) damage would spread to the established suppliers of bauxite and alumina;
(d) other countries which could reasonably expect to share in the creation of new capacity in due course would be hindered in their attempts to develop industries of this kind;
(e) an increase of costs for consumers in protected markets would tend to curtail consumption.

It was also pointed out that the imposition of a tariff on aluminium would mean a deterioration of the present position and thus be contrary to the avowed principles of the GAFT and the Rome Treaty which both advocated freer trade. For the reasons noted above it was considered that the appropriate tariff for the EEC to establish on aluminium should be zero. The representatives of the participating countries other than the Six expressed the possibility to ask that these consultation be re-opened if the Six actually should announce a common tariff duty applicable to aluminium.

23. The representatives of the participating countries other than the Six also stated that although these comments had been directed to the matter of the EEC tariff it was also considered that non-tariff preferences of various kinds could, if employed, divert trade and cause exactly the sort of damage which had been described above. In the case of quantitative restrictions, it was, of course, relevant to note that all but one of the Six were not in balance-of-payments difficulties and that each of the group was in a sound international position financially. This was a situation which could be
expected to continue, and to which the anticipated rise in economic efficiency within the Six would no doubt contribute substantially. It was therefore not thought that the Six would have any basis for the employment of non-tariff preferential arrangements.

24. With respect to bauxite and alumina the representatives of the participating countries other than the Six felt that similar conclusions would apply, as in the question of a tariff on aluminium. It was noted that the common tariff on ordinary bauxite was zero and it was considered appropriate that the tariff on alumina would also be zero. Reference was made to the considerable importance of the export of bauxite and alumina in assisting the economic progress of less-developed areas particularly in the Caribbean region, where substantial investment and employment had been created in these industries, and also shipping facilities had been established which were of benefit to the countries of the area generally.

25. The representative of the Six said that, while no cases of concrete damage had been brought forward by representatives of the other participating countries, he had nevertheless taken note of the views that had been expressed by these representatives. These views would be brought to the attention of the competent Ministers of the Member States of the Community, so that they could be taken into consideration when the EEC common tariffs for the products which were the subject of the consultation were being negotiated. With respect to the proposal advanced by the other participating countries that the common duty on aluminium to be established by the EEC should be zero, he pointed out that in the case of certain Member States of the EEC, duties on these products were at present significant. Consequently the wish that the common tariff should be fixed at zero, was, in fact, a desire that there should be a substantial improvement in the present position of third countries.

In answer to the question of the legal status of Surinam in relation to the Rome Treaty the representative of the Six explained that it was not at present possible to give a definite answer to this question. The association of Surinam with the EEC was still under study by that Government. It was also impossible to give a definite answer at the present time to another question concerning the legal status of Guinea under the Rome Treaty.
representative of the Six pointed out that the EEC did not share the view held by some representatives of participating countries other than the Six that the association of the Overseas Territories would lead to preferential arrangements in the sense of the GATT. A consideration of this matter was, however, considered to be outside the terms of reference of the group.

26. In concluding the representatives of participating countries other than the Six stressed that protection by means of a common tariff on aluminium, or by non-tariff arrangements, for the production of aluminium would lead in the foreseeable future to damage of the legitimate interests of other contracting parties. It was pointed out that other contracting parties could legitimately expect the maintenance of real opportunities for sharing in the supply of increases in consumption in the Six. If governments avoided placing obstacles in the way of expanding consumption, the growth of the European market for this relatively new and important product would provide scope for considerable development in the new supplying areas including the AOT's and associated countries on the basis of comparative cost considerations. The imposition of a duty on these basic products would on the other hand almost certainly have a marked adverse effect on public opinion in countries outside the Community. It was also feared that the imposition of a duty on basic materials would hamper European co-operation in trade liberalization. It was stated that this co-operation had assumed a new importance since the agreement on the EFTA. The representatives of the participating countries other than the Six thanked the representatives of the Community for the good will which they had shown in the consultation and for the assurances that the views expressed during the consultation would be placed before their Ministers.