

Part III

Overview of Traditional Trade and Investment Barriers

Today's pattern of Canada-EC trade and investment flows in the minerals and metals sector have their roots in Canada-EC Member State historical linkages and in the evolution of "the common market" and its institutions. The same can be said about barriers to trade and investment. The founding treaty - the European Coal and Steel Community, 1951 - was intended to safeguard the well-being of those two basic industries within the initial EC-6 and is the origin of the difficulties of industrial policy that have resulted in the massive subsidies doled out to EC coal and steel producers by Member State governments in the 1970s and 1980s.

Tariffs

The second treaty - the European Economic Community, 1956 - established the basis for removing the EC-6's internal tariffs and creating a common external tariff. The structure and level of external tariffs for minerals and metals reflected a heterogenous mix of Europe's traditional import dependency for raw materials and the existence of large processing industries, such as nonferrous smelting and refining, in certain Member States. To generalize, the structure of the EC's external tariff allowed for duty-free entry of raw materials (generally defined as ores and concentrates) and for escalating levels of duties according to the degree of processing and fabricating. Several rounds of multilateral trade negotiations during the 1960s and 1970s have reduced EC tariffs to developed country norms but tariff structures remain unchanged. For example, in 1984 the Canadian delegation to a GATT Working Party on Nonferrous Metals demonstrated that the EC's tariff policy of allowing duty-free entry of zinc concentrates and applying a 3.5 percent tariff on unwrought zinc afforded the zinc refining industry an effective rate of protection equivalent to 9.1 percent.

Another aspect of the EC's external tariff policy insofar as it impacts upon Canada centres on tariff preferences. EC tariff preferences are granted to two types of countries - the EFTA trading partners and the developing countries under the Generalized System of Tariff Preferences. The latter began to take shape in the 1960s coincident with a broadening EC policy thrust to source more raw materials from Third World countries. This policy took on new momentum with the 1974 signing of the Yaoundé Convention and the subsequent Lomé Conventions. The EFTA tariff preferences began in the 1970s and reached maturity in the early 1980s when tariffs on