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There already is a high proportion of bilateral free trade in minerals and metals. About 85 per cent of Canada's mineral and metal exports to the United States and 90 per cent of U.S. mineral and metal exports to Canada are now duty free. But gross percentages distort the picture for certain segments of the industry; for example, only about 60 per cent of mutual trade in major nonferrous metals is duty free. Further, gross percentages do not account for trade distortions arising from trade barriers in general.

Generally speaking, tariffs on minerals and metals escalate according to the degree of processing. In other words, the more processed the product is, the higher the tariff. Moreover, the higher the intrinsic value of a unit of mineral or metal, the greater the impact of tariff increases from one stage of processing to the next. In some instances, the tariff imposed on a mineral or metal product can exceed the value added by a particular stage of processing. Consequently, a potential investor is heavily influenced by both tariff levels and tariff structures when deciding where to locate a processing plant. Even a relatively low tariff on a product at a strategic part of the process can prevent the development and growth of that industry. For example, while the U.S. tariff (1.7¢/kg) on zinc concentrates may not impose a serious trade barrier, its 19 per cent tariff on zinc alloy has effectively retarded the establishment of a large zinc alloy industry in Canada.

Minerals and metals that originate entirely in Canada or the United States or that have been sufficiently processed in either country will qualify for the new tariff treatment. Certain metals will incur a 50 per cent value test for manufacturing in North America. Conversion of copper concentrates to blister or other copper products will be considered to be of domestic origin without a value test, whereas the transformation of blister to more highly processed copper products, including cathodes, will require a 50 per cent value test.

The conversion of lead and zinc concentrates to refined metal and the transformation of unwrought products to semifabricated and manufactured products, respectively, will require a 50 per cent value test. For most other metals, including aluminum made from imported bauxite or alumina, a value test will not be applied but specific tariff classification changes will be required. For example, the manufacture of steel tubes and pipes from imported flat-rolled products (skelp) and the manufacture of copper wire smaller than six millimetres from imported blister will automatically qualify them as being of domestic origin.