

GENERAL AGREEMENT ON
TARIFFS AND TRADE

- 223 -

RESTRICTED
LIMITED W.
CP/IW.1/2
16 March 1951
ORIGINAL: ENGLISH

CONTRACTING PARTIES

INTERSESSIONAL WORKING PARTY ON ARTICLE XIX

(1)

Statement by the Czechoslovak Delegate

A.

1. Examination of whether the condition of serious injury has been fulfilled presents a two-fold question:
 - a) Whether there was any injury;
 - b) If there was such an injury, whether this was a serious one.
2. Article XIX lays out different measures which may be taken in order to prevent or remedy the injury.

It is quite obvious that the choice as to which one of these actions may and should be applied depends on the degree of the seriousness of the injury. Therefore the Contracting Party which took action under Article XIX must indicate the extent of the injury to be able to justify the extent of the action taken.
3. Article XIX requires that a serious injury or a threat of it must be incurred to "domestic producers".

The Working Party has agreed that the category of domestic producers is comprised of two groups:

 - a) the workers who actually produce the commodities / the employees /;
 - b) the owners of the means of production - that is the manufacturers / the employers /.
4. In the first place the serious injury or a threat of it must be proved as actual or imminent to the workers. There are two reasons: first, the Agreement was convened on the basis of the Havana Charter and the Final Act, by which the General Agreement was adopted, was a result of the United Nations Conference on Trade and Employment. Second, the workers represent by far the greater part of the producers concerned.
5. When studying the Report of the United States of America Tariff Commission the Czechoslovak delegation tried to assess on the basis of the factual material in this Report whether there was any injury caused by the increased imports to the workers in the United States of America production

(1) This statement was made by the Czechoslovak Delegation in the session of the Working Party for Article XIX held on March 15, and deals only with the examination of the question as to whether there was a serious injury incurred to United States of America production of women's fur felt hat bodies. The statement was only part of the preliminary discussion of the Working Party and does not deal with the other conditions of Article XIX.

of hat bodies.

The Czechoslovak delegation regrets to say that the document is surprisingly poor and vague as far as the position of the workers is concerned. It admits on page 30 that "It is not feasible to ascertain the number of productive workers engaged in the manufacture of women's fur felt hat bodies in the United States".

b) Further on the document says that the alleged decline in the average number of productive workers since 1937 is attributable partly to decreased production of women's hat bodies and partly to decreased production of men's hat, but there is no indication whatsoever in what proportion.

c) And again, the document admits that the decrease in production both of women's hat bodies and men's hats has been attributable largely to so-called "hatlessness" (page 30). But by a peculiar turn of argument the document continues: "However, a considerable part of the reduction in total employment in the manufacture of hat bodies has been attributable to the increased imports of women's hat bodies" - admitting in the same sentence that the proportion attributable to the factor of increased imports of women's hat bodies cannot be estimated with any degree of precision.

6. It is true the document gives a table (No. 7) showing the average number of productive workers engaged in making fur felt hat bodies from 1937 to June 1950, but:

(a) This table is based entirely on estimates and does not indicate how the average was arrived at, nor whether the figures contain the seasonal workers (see page 29: "domestic production of women's fur felt hat bodies is highly seasonal").

(b) To be able to show the decline in employment even by these estimated average figures the document uses as a base for comparison the average number of workers employed in 1937. In this connection I would like to make a general remark regarding nearly all of the statistics in the document. It is in our opinion quite obvious that any comparison with the pre-war situation in the American production is irrelevant in connection with the question as to whether there was any injury caused by the increased imports after the Tariff Concession had been granted in 1947. It is irrelevant for the following two reasons:

(1) The pre-war period has nothing to do with the circumstances under which the concession was granted.

(2) The years of the Second World War - as the document itself admits - changed the whole structure of American production of hats by reducing the output to 50% of pre-war level.

Therefore the post-war situation must be regarded as a completely new one, and, as the concession was granted in 1947, the base year for a comparison in development after the granting of the concessions should be 1947 or 1948.

If we apply this obviously reasonable principle to the table No. 7 we obtain this picture:

	<u>Average No. of</u>				
	<u>workers employed</u>				
1947	4,383				
1948	4,349	- 0.85%	in comparison to 1947		
1949	3,717	- 12%	" " "	1948	
1950 (Jan. - June)	3,817	+ 2.1%	" " "	1949	

The comparison of those estimates in the decisive period shows that there was a decline by 12% (if the figure 3,717 for 1949 is correct) in the average number of workers employed - but it shows at the same time that in 1950 started an upward trend in employment - the percentage of the increase being 2.1. This is in striking contrast to the percentage of increase in imports and if the American delegation maintains that there is a relationship of cause and effect between the concession and increased imports on the one side and the situation in employment on the other, the obvious conclusion should be that the increasing imports were causing the increase in employment.

7. In one way this is true because the increasing interest of the women in velours, which became manifest in higher sales of the velours imported, created an opportunity for the American manufacturers to start their own production of velours and thereby they were able to employ more workers which they required for the new production line.
8. The Report of the United States of America Tariff Commission does not deal at all with the wages of the workers. As it is the intention of the Report to show the impact of the alleged injury in every field of the American production we may take it for granted that there was no danger and no threat to the wages of the workers as otherwise the tariff commission certainly would mention it in the Report.
9. In any case it is obvious even from the incomplete and insufficient data given in the Report on employment that there was no injury - not to speak of a serious one - caused to the workers by the change of fashion or by the tariff concession and increased imports of hat bodies with special finishes.

The report of the American Tariff Commission makes it clear that the tariff concession was revoked with the object of protecting, not so much the interests of the workers, but rather the interests of that small section of producers represented by the proprietors of the means of production, - in this case the American hat manufacturers.

A closer examination of the contents of the report of the American Tariff Commission shows, however, that not even they suffered any serious injury. What are the facts?

1. In 1947 there was no production at all in the United States of hat bodies with special finishes and this is openly admitted on page 29 of the Report of the American Tariff Commission, viz:- "Before 1948 the United States production of women's fur felt hat bodies consisted almost exclusively of plain felt bodies, made in a number of sizes, shapes and colours. In the later part of the 1930's a few factories made small quantities of velours, suedes, or other special finishes, but production of such hats was small compared to total production. During and immediately following the war, production probably consisted entirely of plain felt bodies. Beginning in 1948 velours and other special finishes were made by a few domestic mills".
2. The change of fashion to velours which were accessible to the market from foreign imports, acted, not as an injury to American production, but as an incentive to American manufacturers to begin manufacturing these velours hat-bodies themselves. Thus, the competition with foreign imports acted as a stimulus to home production.
3. From the Report of the American Tariff Commission it is possible to draw up the following table showing the output of velours and the special finishes from 1948 when this output started:

Year	Output	Increase as compared with previous year.	Index of increases 1948 = 100
1948	15,000 doz.	-	100
1949	25,000 doz.	66%	166
1950	50,000 doz.	100%	330

Note. i. The above figures are taken from Page 29 of the Report of the Tariff Commission.

ii. The proportion between the output figures for 1948 and 1950 represents an increase of 230%.

Moreover, the figure of the total output for 1950 was arrived at by merely doubling the American estimate of the output in the first half of the year, and it is undoubtedly far less than the real output, since, as the Report of the Tariff Commission states on Page 29, this output does not reach its peak until the second half of the year.

If we indicate the output in 1948 as 100, in 1950 the index of output was 330. No comparison with 1947 is possible, as in that year there

was no output of velours at all. At the same time, the monthly average output in the first half of 1950 increased by no less than 100% in comparison with the monthly average in 1949.

4. If with this we compare the statistics contained in Tables 5 and 6, we ascertain that by 1950 the import of velours had risen to a level of 287, the index for 1948 being taken as 100. Thus, the relative increase of imports in the period between 1948 and 1950 was 43% less than the relative rise in home output. (1)

5. According to the actual American figures the rise in imports from the end of 1949 to the first half of 1950 is negligible. In this connection it must be added that not even the United States of America expected an increase of imports in the second half of 1950. On Page 7 of the American document we read as follows: "The peak period of production and sales of the domestic hat-bodies occurs in June, July and August, and that of the foreign hat-bodies for the United States market somewhat earlier".

6. As regards the increase of imports in 1950, the Report of the United States Tariff Commission is at variance with itself and its own statistics. On Page 19 it says: "There was a further substantial increase...in the first six months of 1950" yet the actual statistics in the Report show that the average monthly imports in the first six months of 1950 were on a similar level to the average monthly imports in 1949 (approximately 10,050 in 1949 as compared with 10,305 in 1950).

7. None of these particulars suggest that the increased imports of velours handicapped any increase in the American production. And as the American production, after the concession was granted, increased more rapidly than the imports, the application of Article XIX in this connection is absurd.

8. The Report of the American Commission attempts to prove that the increased imports of velours formed an indirect menace also to the American production of plain bodies. According to the Report of the Tariff Commission, this production had difficulties of its own, but a closer analysis will show that these difficulties had little to do with the increase in the imports of velours. Incidentally, the Report itself admits as much quite clearly on Page 5:

"Imports of hat-bodies of these special finishes have /to some extent / affected domestic production of plain felt...", and on Page 30 it further admits that the factor which caused an alleged decline in the domestic production both of women's and men's hat-bodies /obviously

(1) Note: The comparison is based on monthly averages for the year 1950: these averages were arrived at from the figures in the Report of the first six months of 1950 and will be replaced by the averages taken from the figures for the whole year 1950 as soon as the United States delegation furnishes them.

plain ones, as the output of velours had risen /, was not the increase in the import of velours at all, but quite a different circumstance. The Report says: "The decrease in production both of women's hat-bodies and of men's hats has been attributable largely to reduced consumption resulting from an increased tendency to do without hats". This argument is repeated in several other places.

9. Moreover, it is incorrect to speak of any decline in the output of plain hat bodies, as, according to Table 6 on Page 29, the output of plain bodies in 1950 shows an increase of 16% as compared with 1947. Hence, there is no justification whatever for saying that the increased imports of velours led to an injury in the domestic American production.

10. At the last session (8-10 March 1951) the American delegate argued that the injury incurred by the American manufacturers consisted in the fact that, with increased imports of velours, they were at a "competitive disadvantage" as regards hat-bodies with special finishes.

What are the facts in this respect?

a) The Report of the Tariff Commission makes it quite clear that if the American manufacturers are at any competitive disadvantage at all, it is not due to any increase in the imports of foreign velours, but to the simple fact that the American manufacturers do not know how to produce hats with special finishes. Incidentally, they were aware of their inability to do so in 1947, and accordingly they were also aware that the increased imports for which the concession was granted would compete with them a detail which throws a new light on the question of the foreseen or unforeseen development.

b) On Page 36 of the Report of the American Tariff Commission we read: "In field work conducted by the Commission 15 domestic manufacturers of fur-felt bodies were visited: they account for most of the domestic production. Fourteen out of the fifteen, in either 1949 or 1950, had made velours or samples of velours. Ten of the fifteen reported that these could not make a competitive product at a competitive price with imports. The prices of these concerns varied, but ranged in the neighbourhood of \$25 to \$28 per dozen."

c) Note that the Report here plainly admits that 14 of the 15 manufacturers investigated were producing either velours or samples of velours. Then of these 14 merely stated (and the Report does not say whether their statement was investigated and if so, how), that they could not make a competitive product. Even if this were so, why should such be the case? Evidently because these 10 were producing only samples. From another passage in the Report (Page 37) it follows that the remaining 4 were those who quoted \$18 as their price. Obviously these four were the only ones whose production was on anything like a satisfactory basis. Only one of them was sufficiently familiar with the technique of production that he was satisfied with \$18 as a selling price, this being the rate at which the four were trying to undersell the foreign imports.

11. In this connection, however, the Report of the Tariff Commission contains even more interesting particulars:

a) On Page 29 it is stated that the total production of velours in 1950 (first half) amounted to 25,000 dozen, and on Page 37 we read

as follows: "Four domestic manufacturers, however, are making velours (July 1950) to be sold at \$18 per dozen and up. The total production of these four for the first six months of 1950 amounted to approximately 25,000 dozen". What does this mean? That all the others produced approximately nothing, and if they had any output at all it could be only at an entirely experimental stage. It is easy to understand that the experiments cost them more than a settled output.

b) Only with regard to the remaining one does the Report say that his velours were of the same quality as the imported velours. "Milliners, domestic manufacturers and importers agree that the low-priced domestic velours except those of one concern, are not of as good a quality as the imported". (Page 37). Plainly this single concern was able to produce hats so as to sell them without loss at \$18 a dozen, this being one dollar cheaper than the cheapest foreign imports. At the same time the Report nowhere states how many of the total output of 25,000 dozen velours were produced just by this concern which was capable of competing with foreign imports.

c) Yet even in the case of those who state that they are compelled to sell their samples (the prices of which are obviously burdened by the costs of experimental output) at \$25 to \$28, it is not proved that they were at any serious competitive disadvantage, as according to Page 39 of the Report of the Tariff Commission, "The bulk of the imported hat-bodies have sold in the United States market at prices ranging from \$19 to \$35 per dozen".

12. The optical illusion that even those domestic manufacturers who sell at rates higher than \$19 are at a competitive disadvantage, is due to the fact that the Report of the Tariff Commission makes play with \$19 as the sale price of the foreign imports where, in accordance with all usages of statistical comparison, it might be expected that at least an average price would be quoted.

13. According to the Report of the American Commission, the American production of hat-bodies was constituted as follows:

Two-thirds	men's hats.	
One-third	women's hats	- and only plain up to 1948.

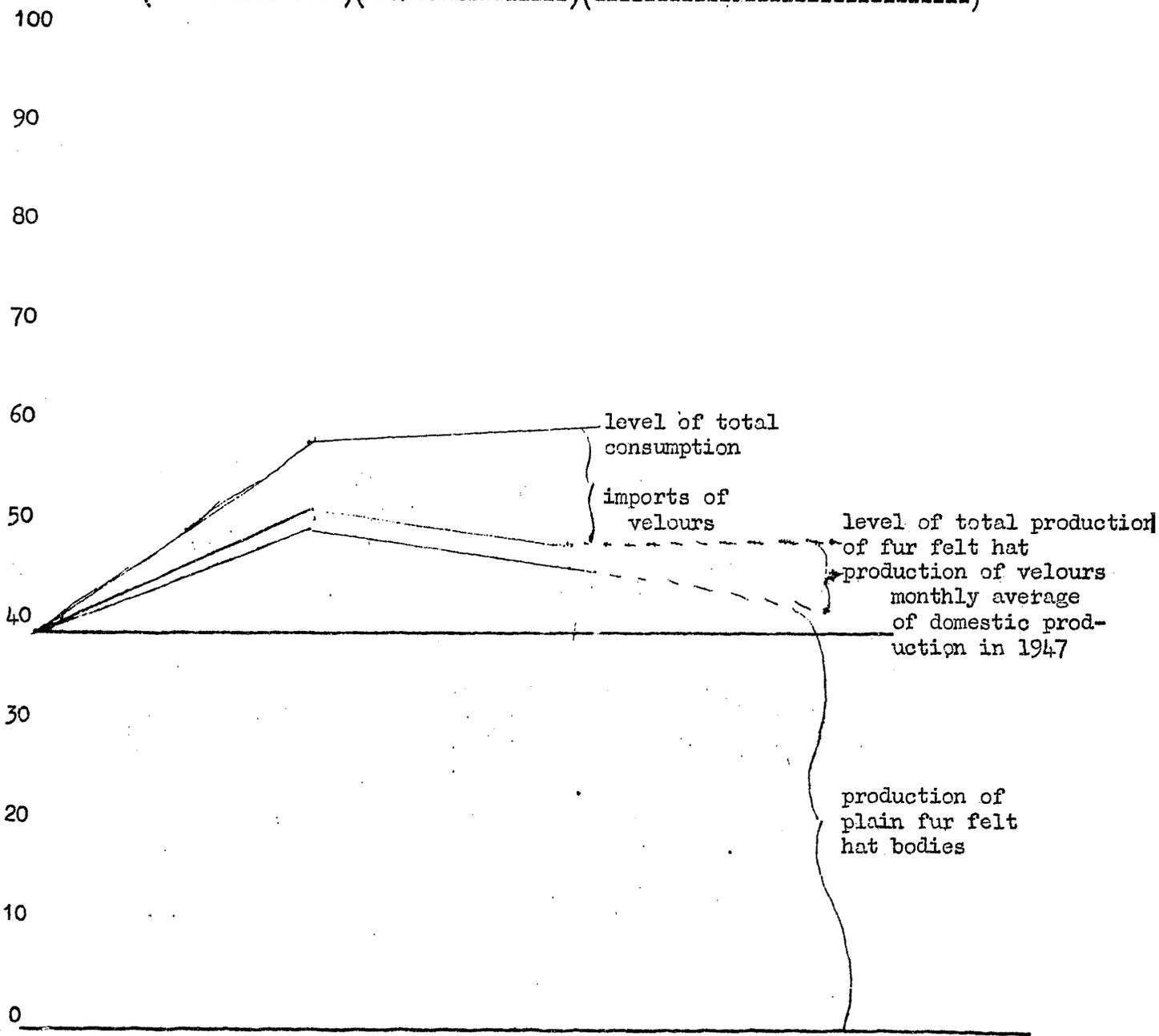
Thus, the total production of velours formed only a small part of one-third of the American domestic production.

Even if we were to admit that the manufacturers were at any competitive disadvantage with regard to foreign imports, it would be a competitive disadvantage in one line of production.

14. This is quite obvious also from the Report of the Tariff Commission itself, when it states that the decision to revoke the concession was not taken because of any necessity to protect the established domestic production (which is not menaced by imports), but for the purpose of eliminating foreign competition in the manufacture of one particular variety for which there is now an increasing demand. As this involves a variety, the manufacture of which was not current in the United States of America, obviously the revoking of the concession was an implement for killing foreign imports, so that the American manufacturers could accumulate profits which previously never came their way. The imports caused no serious injury to the domestic manufacturers, All that happened was that these manufacturers took it into their heads that they were being mulcted of imaginary profits. The application of Article XIX on this account is more than absurd.

The trend for the whole of 1950 is estimated from the trend shown by the comparison of the figures for the last 6 months of both 1949 & 1950

Production in 1000 dozen Monthly average 1948 Monthly average 1949 1950



Note: the figures for 1950 will be replaced by the actual monthly average as soon as the figures for the whole year are available