

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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RESTRICTIONS AND OTHER MEASURES RELATING TO
THE PROBLEM OF MARKET DISRUPTION

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RESTRICTIONS AND OTHER MEASURES RELATING TO
THE PROBLEM OF MARKET DISRUPTION

I. INTRODUCTION

1. During the Ministerial discussions at the fifteenth session, attention was called to the problem of disruption of markets caused by a sudden influx of imports. It was pointed out that sharp increases in imports over a brief period of time and in a narrow range of products could have serious economic, political and social repercussions in the importing countries and that the problem was to find the means to alleviate the adverse effects of such abrupt invasions of established markets while continuing to provide steadily enlarged opportunities for trade.
2. The problem was discussed informally among interested delegations and at a plenary meeting towards the end of the session (see SR.15/17). In the course of these discussions, it was brought out that the apprehension that such situations might arise had led some countries to maintain or impose restrictions against particular imports from particular countries. Recognizing that they were confronted with a serious and complicated question which should be faced squarely, the CONTRACTING PARTIES considered that it was essential first to establish the relevant facts. It was agreed:
 - (a) that this problem of market disruption should be placed on the agenda of the sixteenth session;
 - (b) that meanwhile the Executive Secretary should be instructed to submit a factual report to the CONTRACTING PARTIES and to consult with governments with a view to ensuring that this report was complete;
 - (c) that it would be for the CONTRACTING PARTIES at the sixteenth session to decide on the procedure to be adopted for dealing with this question; and
 - (d) that at the sixteenth session the CONTRACTING PARTIES will also have a further opportunity to consider whether it would be appropriate to establish a Panel of Experts.
3. In accordance with the instructions referred to in (b) above the Executive Secretary circulated in December 1959 a request to contracting parties for relevant information (see Annex A). Essentially, contracting parties were asked: (a) whether they had experienced specific cases of market disruption and whether they had taken any specific measures to deal

with such situations which had arisen or which were expected to arise, and (b) whether any of their exports were subject to restrictive measures applied by other contracting parties on grounds relating to the problem of market disruption and whether any action had been taken, e.g. to limit exports, in order to avoid the development of such situations. Details were requested on any cases that might exist and any measures that had been taken.

4. The present secretariat paper summarizes the information that has been sent by contracting parties in response to the questionnaire. It should be pointed out that the information received and consequently the present paper, does not seem to cover all relevant facts, and this partly for the following reasons:

- (a) Certain contracting parties have indicated that they are applying import controls and restrictions for balance-of-payments reasons and that such controls and restrictions provide a safeguard against the occurrence of situations such as those to which this paper relates.
- (b) Certain contracting parties refer to the fact that by virtue of their invocation of Article XXXV they have no obligations under the General Agreement towards Japan, including the obligation of not applying import restrictions. Some of them have therefore considered it unnecessary to discuss for purposes of a GATT document any restrictions which they may be applying on imports from Japan.

5. In view of the desirability of supplying the contracting parties with whatever information is available at an early date, this paper is circulated even though it does not purport to be exhaustive. Certain statistical material which has been supplied by contracting parties will be distributed separately at the sixteenth session. Contracting parties have in some cases also transmitted, in supplement to their replies to the questionnaire, certain publications or printed documents (e.g. the United States Tariff Commission's report on investigations on stainless steel flatware, watches, and lead and zinc, and a report, dated 22 April 1950, of the Board of Trade and Industries of the Union of South Africa). These may be consulted at the secretariat.

II. PROBLEMS RELATING TO SPECIFIC PRODUCTS

6. The following sections deal with the situations which have been specifically indicated by one or more contracting parties in their capacity either as importing or as exporting countries, as to involve problems of market disruption.

A. Textiles and Clothing

7. The United Kingdom textile industry has met with difficulties including the very acute difficulties caused by the growth of duty-free imports from India, Pakistan and Hong Kong and by their rate of increase. In 1954 there was a sharp increase in imports from India, followed in 1955 by a sharp increase in imports from Hong Kong; and imports from these sources continued to increase in subsequent years. By 1959 these countries were supplying some 30 per cent of the United Kingdom domestic consumption as compared with under 4 per cent in 1953 and an average of 10 per cent in the abnormal years of 1951 and 1952.

Estimate of Retained United Kingdom Imports
of Woven Cotton Piecegoods
(million sq.yds)

	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
India	9	82	84	82	122	92	156
Hong Kong	2	17	44	49	64	102	117
Pakistan	Nil	Nil	Nil	8	5	2	25

8. The increase in the volume of retained imports resulted from the ability of manufacturers in the countries concerned (whose products do not pay duty on entry into the United Kingdom) to offer supplies at prices which were substantially below the price of the United Kingdom products, although the differences varied considerably according to the quality and type of the product and the source.

9. The situation described affected an industry which has been experiencing problems of adjustment since the First World War and which is concentrated in one area. The development of this situation led to mounting pressure over a long period for action by the United Kingdom to remedy it. The Government could not contemplate modifying the duty-free entry which these Commonwealth products enjoy, or imposing import controls, and accordingly favoured the handling of the problem through the negotiation of agreements between the United Kingdom industry and the industries of the supplying countries concerned for the voluntary limitation of exports of their cotton goods to the United Kingdom market.

10. As a result of these negotiations the industries of India, Pakistan and Hong Kong have undertaken to limit their exports of cotton goods for retention in the United Kingdom for a period of three years. The Hong Kong undertaking runs from 1 February 1959, the Indian and Pakistan agreement from 1 January 1960. The agreed levels of exports provide room for the industries of the exporting countries to expand their trade as compared

with the highest level reached prior to the conclusion of the negotiations.¹ By agreement between the Governments and the industries concerned, the arrangements with the Hong Kong industry are being administered by the Hong Kong Government through export controls in Hong Kong, and those with India and Pakistan are effected through import controls administered by the United Kingdom Government.

11. In view of the accelerated rise in textile imports from certain sources, the Swiss Government instituted in October 1959 a checking system on the prices of certain textile products, namely unprocessed cotton fabrics, woollen fabrics, underwear, knitted-wear and cotton wearing apparel. The purpose of this is to obtain concrete information in preparation for a thorough analysis by the administration of the price structure of imported products. This analysis, when completed, will enable the Government to seek arrangements with the exporting countries concerned so as to avoid any difficulties that might arise from imports at abnormally low prices. At present the Government of Japan applies export control on shipments of cotton piecegoods and cotton blouses and shirts to Switzerland.

12. In 1956-1958 there was a considerable expansion in Norwegian imports of certain textile goods from Poland, Hungary and Eastern Germany, principally of certain coloured rayon and cotton piecegoods, made-up sheets, hand-towels and towelling, nylon stockings, knitted underwear and nightwear of cotton, shirts and other light ready-made clothing of cotton. The import prices of these articles from the countries mentioned were 35-60 per cent below the average prices for similar articles from the OEEC area. These increased imports resulted in a decline in production and sales of the corresponding Norwegian articles.

¹ The agreed annual levels of retained imports are as follows (there is no restriction on cloth imported for re-export in the piece, with or without processing):

Hong Kong - 118 million sq. yards for cotton cloth, with a provision that, where exports of made-up goods in any year exceed a sq. yardage content of 46 million sq. yards, the cloth level for the following year shall be reduced by the amount of the excess.

India - 175 million sq. yards, to cover both cloth and made-up goods.

Pakistan - 38 million sq. yards to cover both cloth and made-up goods.

In the case of India and Pakistan, handloom manufactures are outside the scope of the agreement and continue unrestricted.

Norwegian production of certain textile products

	<u>1st quarter 1957 (A)</u>	<u>1st quarter 1958 (B)</u>	<u>(B) as per cent of (A)</u>
Sheeting	504,105 metres	354,678 metres	70.4
Materials for sports, leisure and boys' shirts	605,664 "	237,086 "	39.1
Ready-made sports shirts	211,422 units	144,907 units	68.5
Ready-made boys' shirts	75,748 "	39,039 "	51.5
Ready-made work shirts	32,146 "	16,450 "	51.2

13. There was also a decline in employment and orders, and a considerable increase in stocks. In the knitwear industry, for example, employment fell by 15 per cent from 1956 to 1957 and orders by 45 per cent, while stocks rose by 30 per cent. The Norwegian authorities, in the light of these developments, considered that low price imports were about to reach, or had in fact already reached, a level which represented a serious disruption of the market.

14. In 1958 and 1959 there was also a sharp rise in imports of certain textiles, especially cotton goods, (principally made-up household items and ready-made clothing of the lighter type) from Hong Kong. Textile imports from Hong Kong increased by 70 per cent from 1958 to 1959, whereas total imports of textiles and clothing increased by less than 20 per cent. Prices of imports from Hong Kong in 1959 were on average 35 to 40 per cent less than import prices for similar articles from the OEEC area.

15. In the spring of 1958 the Norwegian Government considered it necessary to take steps against the increased inflow of certain textile articles from Poland, Czechoslovakia, Hungary and Eastern Germany and agreements providing for export quotas for certain articles were made (import from Eastern Germany which is not included in the freelist, was limited by a reduction of the import quotas).

16. No particular counter-measures have so far been taken in Norway as regards low price imports from Hong Kong. The Norwegian Government considers that the pressure on the Norwegian market of textiles from Hong Kong has recently increased noticeably, and believes that at least part of this increased pressure is due to the effect of the action which certain other countries have taken to limit their imports of textiles from Hong Kong.

17. The Government of Sweden states that the textile industry in Sweden, like that in many other Western European countries, has been faced with great difficulties in the last ten years. This industry, during its present process of adaptation, is particularly sensitive to imports at very low prices. Traditionally, Sweden imports most of its textile requirements from Western European countries but imports from other sources have grown rapidly in the last five years. In 1959, for example, rayon/wool materials (dress materials, shirtings, etc.) originating in Eastern European countries, Japan and mainland China were sold on the Swedish market at prices which were 40-45 per cent, 50 per cent and 55 per cent, respectively, lower than those of similar imports from the principal traditional sources of supply in Western Germany and Italy. The prices of printed or dyed cotton materials imported from Eastern European countries, China and Japan were on average 40 to 70 per cent lower than those of Western European products. For knitted outerwear (jumpers, sweaters, etc.) and worsted yarn of wool and rayon/wool, the prices were 50 per cent lower.

18. In these circumstances the Swedish Government considered it necessary to take steps against the continued increase in textile imports from these sources. Import limitations are applied at present to the products in question from most Eastern European countries, China and Japan. The measures taken have been aimed at allowing the maintenance of the traditional share of these countries in the Swedish market.

19. Denmark has met with certain problems since the introduction of open general licensing for textile imports from countries outside the dollar and EPU areas. Since the spring of 1956 there has been a sharp increase of imports from these countries; between 1955 and 1959 textile imports from certain East Asian and Eastern European countries expanded more than tenfold. The shift in trade which occurred was the subject of negotiations between Denmark and some of the exporting countries, in some cases resulting in bilateral agreements providing for trade with them. The Government of Japan states that it applies restrictions on exports to Denmark, covering cotton piecegoods, woolen yarns, spun rayon, rayon cloth, cotton made-up goods and spun rayon made-up goods.

20. The Federal Republic of Germany maintains certain import restrictions which are discussed in Part IV and Annex B to this document. Among other products, the import of various cotton textiles from Japan, India and Pakistan is the subject of restriction. Imports of these products from non-OEEC GATT countries are admitted under global quotas. These restrictions have served to avert any disruptive situations.

21. The Federal Republic considers that the development of imports of shirts of Hong Kong origin has been particularly damaging to the domestic industry. Compared with the total shirt imports of DM 1.9 million in 1956 and DM 21.1 million in 1958, the value of imports from Hong Kong increased from DM 82,000 in 1956 to just over DM 1.0 million in 1957 and to as much as

DM 11.3 million in 1958. The difference between the prices of Hong Kong produced shirts and comparable products of domestic origin is considerable; a shirt which normally costs DM 8 to 10 in the Federal Republic may be imported from Hong Kong at a price of DM 3.5 to 4.

22. The Government of the United Kingdom has noted in its reply to the questionnaire that when France introduced liberalization measures in January 1959 imports of textiles and certain other articles from Hong Kong were specifically excluded. Hong Kong goods were again excluded from the further measures of liberalization announced in the Journal Officiel of 5 November and 24 December 1959. A list of the exclusions, which extend to the French Overseas Departments, is given in Annex E. In November 1958 French West Africa applied restrictions on imports from Hong Kong of cotton piece goods and knitted haberdashery, which had been freely admitted since 1951, and introduced a quota for these goods, which seems to be well below the level of established trade.

23. Australia considers that it was threatened with market disruption in regard to printed cotton piecegoods in the later months of 1957, and in respect of man-made fibre piecegoods in the early months of 1959, principally due to the low prices of Japanese products. Average landed duty-paid prices of Japanese printed cottons in October 1957 was from 3/2d to 5/9d per square yard, while that for comparable products of Australian origin was from 5/3d to 9/9d. Imports from other sources were quoted at about 7/-d. Imports from Japan of printed cotton piecegoods rose sharply in the second half of 1957. During the six-month period, they reached an annual rate of 22 million square yards, nearly 40 per cent of total imports of the product, and a peak was reached in October 1957 with an annual rate of 40 million square yards and 56 per cent of total importation, compared to 15.3 million square yards in 1955/56 and 10.9 million square yards in 1956/57 (31 per cent and 26 per cent of total importation). For the fiscal year 1957/58 the total imports that would be made in the absence of further action were estimated at 71 million square yards, with Japan sharing about 33 million square yards. Since the estimated Australian total annual demand was only 60 to 70 million square yards, it was feared that the domestic industry, which supplied some 9.2 million square yards in 1956/57, might be seriously disrupted.

24. On 27 February 1958, action was taken under Article XIX of GATT to suspend completely the issue of licences for the importation of printed cotton piecegoods, pending receipt of the Tariff Board's report on the question of assistance to the Australian industry. Meanwhile, the Japanese authorities announced that exports of printed cottons to Australia would be held to a level not exceeding 20 million square yards per annum. On 6 March 1958, the complete suspension of import licensing was modified to permit importation during April/July 1958 at a rate of 50 per cent of the imports in April/July 1957. Further modification was made on 1 April. The Tariff Board having recommended no further assistance to industry, the special restrictions on imports were lifted on 15 April 1958.

25. As for man-made fibre piecegoods, the prices of imported Japanese products were also substantially below those of Australian products. In August 1958, for example, the comparison was as follows:

	<u>Australian ex factory (per sq.yd.)</u>	<u>Japanese landed, duty-paid (per sq.yd.)</u>	<u>Price of Japanese products as per- centage of those of local products</u>
Rayon	68d.	59.5d	87%
Terylene and cotton	125	88	64%
Terylene voile	126	66	52%
" taffetas	126	86	68%
" marquisettes	87(yd.42")	87(yd.56")	75%

Between 1955 and 1959, Japan's exports to Australia of furnishing fabrics (over 10 per cent synthetic), other fabrics (over 50 per cent synthetic) and cotton synthetic mixtures (chiefly cotton) increased as follows:

	<u>Total Australian Imports</u>	<u>Japanese origin</u>
1955/56	42.3	2.1
1956/57	29.2	1.6
1957/58	34.3	5.0
1958/59	29.1	8.4
July-Sept. 1959 (annual rate)	35.6	12.8

26. The sudden influx of imports from Japan occurred during the latter months of 1958/59 and the early months of 1959/60. During this period, the total demand for rayons in Australia was declining. Furthermore, information relating to orders placed for future deliveries indicated that the upward trend in imports from Japan would continue. With imports from Japan largely replacing imports from other sources and total imports remaining relatively constant, the full weight of the decline in demand was borne by the local industry which was forced to curtail production. By January 1960, domestic production of rayon and other synthetic fibre piecegoods, which totalled 27.4 million square yards in 1956/57 and was at an annual rate of 28.4 million square yards in the third quarter of 1959, had fallen to an annual rate of 18 million square yards. Estimates of future imports showed that the local industry's production would be further curtailed in ensuing months.

27. As a result of discussions between the Governments of Australia and Japan, the Japanese authorities placed restrictions on the export of man-made fibre piecegoods to Australia, limiting them to 8½ million square yards a year. The Australian Tariff Board has been asked to examine the question of assistance to the Australian industry.

28. The Union of South Africa did not begin the manufacture of cotton textiles (mainly calicoes, drills, twills and sateens) until after the last war. Intense competition from some countries, particularly Japan, developed in 1952 and 1953 and repeated requests for further protection were received. It was said that in Japan a system of linking allocations of currency for raw cotton imports with the export performances of individual manufactures was a strong incentive for the exporter to intensify the search for export outlets and resulted in sales in overseas markets at considerably reduced prices. The competition emanated generally from the whole Japanese textile export industry. The prices per yard for calico of thirty inches width were (shillings f.o.b.):

	<u>January 1953</u>	<u>August 1953</u>
Japan	0.98	0.73
United Kingdom	1.52	1.53
United States	1.53	1.53

South Africa has relied on adjustments in the maximum tariff for meeting the problem (see Part IV below).

29. The Government of Canada has indicated that textile products, especially clothing, constitute the principal items regarding which problems of market disruption are being faced. These products have been imported from Asian countries at very low prices, with shipments concentrated on narrow ranges and increasing rapidly within a short period to supply a substantial part of the Canadian market. A comparison made in 1959 of a number of imported Japanese garments with similar articles from other sources indicated that prices to retailers in Canada were about 40 per cent lower for the Japanese products.

30. The trade agreement of 1954 between Canada and Japan was accompanied by an exchange of letters giving Canada the right to establish values for ordinary and special duty purposes in certain circumstances (circumstances defined in the same terms as in Article XIX of the General Agreement). This right, however, has not been used and no import restriction is applied on imports from Japan. The Japanese Government has imposed quantitative export controls on shipments to Canada of cotton fabrics, some cotton garments and other cotton products, and a number of spun-rayon garments.

31. Imports from Hong Kong into Canada have also increased very rapidly in certain lines recently. So far, this has not led to restrictive measures on either side.

32. The United States has experienced a special marketing situation with respect to certain categories of cotton textiles and cotton apparel. Beginning in the early part of 1955 there were sharp increases in the import of these products, particularly from Japan; imports of cotton

manufactures (finished and unfinished) rose from \$88 million in 1954, to \$156 million in 1958 and to \$202 million in 1959. Furthermore, the rate of increase and acceleration was even much greater for certain particular items, such as gingham (imports rose from 6 million square yards in 1954 to 83 million square yards in 1956) and men's and boys' shirts (211,000 dozen in 1954 and 1,226,000 dozen in 1956).¹ This development was followed by the filing of applications under the established ~~escape~~-Clause procedure by domestic producers who were concerned that increased imports of gingham, velveteens, cotton blouses and pillow cases were causing serious injury. Apart from the direct effect on the producers of these items the entire textile industry became concerned because of the impact on the price structure of the industry and the uncertainty as to where other concentrations of Japanese exports might take place. After the institution of the investigations on the items mentioned above, other textile producers were considering filing requests for action on other kinds of textiles under the escape-clause procedure.

33. In these circumstances, the Japanese Government decided to take steps to promote a more orderly development of trade in cotton products between the United States and Japan. Officials of the United States Government held a series of discussions regarding this matter with officials of the Japanese Government. Following these discussions the Japanese Government instituted a voluntary five-year programme to regulate its exports of cotton products to the United States. Under the programme, Japanese exports of all types of cotton cloth and cotton manufactures to the United States will be limited

¹ For certain selected items the changes in imports between 1954 and 1956 were as follows:

	1954	1956 or 1955*
Ginghams (million square yards)	6	83
Japan	4	77
Velveteens (million square yards)	5.2	8.6*
Japan	3.1	6.8*
Men's and boys' shirts (thousand dozen)	211	1776
Japan	210	1190
Hong Kong	-	28
Women's blouses (thousand dozen)
Japan	189	2811*
Handkerchiefs (thousand dozen)	3429	5453
Philippines	1398	2032
Japan	614	1908
Switzerland	952	1046

to 235 million square yards per annum and there are specific ceilings on many items.

34. Recently there has also been a sharp increase in exports of certain cotton apparel from Hong Kong to the United States which is threatening to have a disruptive effect. The United States Government has recently undertaken discussions with officials of the Hong Kong Government regarding means of promoting more orderly markets of cotton products exported to the United States.

B. Woollen Gloves and Other Knitted Goods

35. The Governments of the Benelux countries have stated that for a considerable time the industries in the Benelux producing gloves made of pure wool or wool mixed with synthetic or artificial fibres have met with great difficulties on account of the increasing quantities of like products imported from Hong Kong at prices which caused disturbance to the domestic markets. The average price of such imports including transport costs stands at about 30-50 per cent below the normal prices in the Benelux countries. In the Netherlands, the production which was 84,000 dozen pairs in 1955 dropped to 35,000 dozen pairs in 1958. The Belgian production fell in the same period from 71,000 to 37,000 dozen pairs. The changes in imports in the three Benelux countries are as follows:

(in 1000 dozen pairs)

	<u>Total imports</u>	<u>Imports from Hong Kong</u>	<u>Imports from Hong Kong as percentage of total</u>
1956	158	28	18
1957	178	57	32
1958	115	31	27

36. Thanks to the mild winter of 1958 and the accumulation of stocks, imports in 1958 were lower than those in the preceding years. In the Spring of 1959, however, imports increased substantially. In the Netherlands alone imports from Hong Kong already doubled those in the corresponding period in 1958. It appeared that total Benelux imports of gloves from Hong Kong in 1959 would reach about 75,000 dozen pairs if action were not taken to restrict the influx. In the light of these estimates the governments of the Benelux temporarily suspended the liberalization of imports for this product for a period of twelve months, from 1 October 1959 to 1 October 1960, limiting its importation from Hong Kong to 38,000 dozen pairs during that period. Imports from other sources are licenced liberally.

¹ It is understood that apart from cotton manufactures, Japan also restricts the export of woollen fabrics, silk scarves and mufflers to the United States.

37. The importation of woollen knitted gloves from Hong Kong into the Federal Republic of Germany stood in 1956 at 621,330 pairs representing 7 per cent of total sales on the domestic market and 56 per cent of total imports. In 1958 the import of this product from Hong Kong rose to 1,385,377 pairs, representing 17 per cent of internal sales and 65 per cent of total importation. These Hong Kong-made gloves were imported at prices averaging DM 1.45 per pair while the price for like products on the internal market was about DM 2.90. The very considerable volume of imports at prices substantially lower than German prices caused serious hardships to glove producers in the Federal Republic. Whereas in 1956, seventy-one firms manufactured such gloves; by 1958 their number had fallen to thirty-six. The majority of these firms did not cease to exist but merely closed down the sections concerned. Nevertheless, the consequence of this development in imports was considerable; the number of persons employed in this sector diminished, from 4,780 in 1956 to 2,650 in 1958.

3. The problems of imports of woollen knitted wear into Sweden, France and Switzerland have been mentioned above in conjunction with textile imports. In addition, the Government of Japan applies controls on the export of woollen knitted goods to Canada, the United States, Denmark and Australia.

C. Braces

39. In the Union of South Africa, competition from imports of braces from Japan recently caused a serious disturbance in the domestic industry. Elastic, a raw material required in the production, was imported from Japan at a cost of 5s. for a quantity sufficient to produce a dozen pairs of braces, whilst the finished braces imported from that country were being supplied at a landed price of 6s. per dozen pairs. As noted in Part IV of this paper, the Union relies on adjustment in the maximum duty rates for meeting problems of this nature.

D. Hoods and Shapes for Men's and Boys' Hats

40. The South African industry manufacturing men's and boys' hats suffered severe competition from low priced finished hats imported from Japan, and hats made locally from hoods produced in Japan. In 1957 and 1958 hoods imported from Japan equalled 42 per cent of all imports of hoods. The competition was apparently experienced from the whole industry in Japan. The f.c.b. prices, as supplied by the industry, for a dozen hoods of weight of 105 grs. each were in 1958:

Japan	-	39s.6d.
Italy	-	70s.
Belgium	-	53s.10d.

The measures taken by the Union Government in such cases are described in Part IV of this paper.

E. Casual Footwear

41. As of August 1958 the prices of Japanese and Australian products on the Australian market were as follows:

	(shillings per pair)	
	<u>Australian</u>	<u>Japanese</u>
Rubber-soled men's shoes	40/- (ex factory)	12/4 (c.i.f. Melbourne)
11½" rubber-thong sandals	24/- (" ")	13/6 (retail)
Mocassins	49/11 (retail)	10/6 (wholesale)
Maids' shoes	22/6 (leather ex-factory)	13/5 (landed duty paid)
Sandals	24/- (-do-)	9/2 (plastic, c.i.f.)

Imports of rubber footwear into Australia from Japan rose from some 400 pairs in 1955/56 to 20,000 pairs in 1956/57, and to 306,000 pairs in 1957/58. This last figure, for the whole financial year 1957/58, was exceeded by imports of 381,800 pairs in the first three months of 1958/59 (July to September 1959). Total imports of rubber footwear from all sources rose from 161,700 pairs in 1955/56 and 47,900 pairs in 1956/57, to 476,700 pairs in 1957/58; in the three months July - September 1959 the total reached 564,300 pairs, or nearly five times the annual rate in the preceding year. Between 1957 and 1958/59 there were also substantial increases in the import of leather and other footwear from Japan.

42. Following discussions with the Japanese authorities, it was announced on 19 December 1958 that Japan would restrict exports of all types of footwear to Australia during the financial year 1958/59 to a maximum of one million pairs. In the meantime, the question of assistance to the Australian industry was referred to the Tariff Board for inquiry and report. The limitation placed on Japanese supplies was, however, followed by some diversion of demand to other countries which was likely to nullify the effects of the restrictions imposed by Japan. In April 1959 the Australian Government decided to take Article XIX action to restrict imports of footwear of all types. Imports were not completely banned, but licensing quotas were kept to a level equivalent to imports in 1956/57. This action was taken pending receipt and consideration of the Tariff Board's report on the Australian industry. The report has not yet been published, but Australia has recently initiated action under Article XXVIII. Relaxations of licensing restrictions were made on 1 April 1959 and 1 March 1960.

43. The Union of South Africa's imports of footwear, particularly ladies' slippers and leather shoes, children's and infants' footwear from the East increased rapidly as from 1957 and caused or threatened a serious contraction in the local market for similar types of South African footwear. The

competition seemed to have been general and prices were usually at least less than half the prices of the comparable domestic product. The following indicate some of the Japanese f.o.b. prices:

ladies' shoes 4s.2d. per pair;
ladies' slippers 3s.4d. per pair;
children's shoes, sizes 3 to 8, 2s.10d. to 3s.1d. per pair.

As noted in Part IV below, the Union Government has resorted to adjustments in the maximum rates of duty for meeting the problem.

F. Stainless Steel Flatware

44. The Government of Canada states that imports of this product from Japan have created problems for the Canadian market. Japan has imposed quantitative export restraints on shipments of this product to Canada.

45. United States imports of these products rose in the five years from 1953 to 1957 as follows (thousand dozens):

1953	883
1954	1,347
1955	3,571
1956	7,999
1957	10,600

In 1958, when Japan restricted its exports to the United States the amount fell to 9,180,000 dozen. The value of these imports from all sources rose from \$1,427,000 in 1953 to about \$10,800,000 in 1957, and then declined to \$8,984,000 in 1958. Between 1954 and 1957 the rise in value was less pronounced as that in volume. Since an increasing proportion of total imports was coming from Japan, at lower prices, the average unit values of imports from Japan in the past six years have ranged from about one fifth to one third of those from Europe. Imports from Japan increased from 82 per cent of total quantity of United States imports in 1954 to about 96 per cent of the total in 1957.

46. In October 1959 the United States established a tariff quota on imports of "stainless steel flatware not over 10.2 inches in overall length and valued under \$3.0 per dozen". In excess of 5.75 million dozen per annum imports of tablespoons are chargeable at the higher rate of 60 per cent ad valorem, and imports of table knives and forks of less than 4 inches long (exclusive of handle) at 3 cents per piece and 67½ per cent ad valorem, and those of 4 inches or longer (exclusive of handle) at 12 cents each and 67½ per cent ad valorem. Japan has introduced export restriction on shipments of this product to the United States.

G. Chinaware and Glassware

47. Sweden has been faced with the problem of imports of chinaware and glassware at exceptionally low prices from Eastern European countries and Japan. In 1959 the average prices for table household and ornamental articles imported from Poland, Hungary and Czechoslovakia were about 32 per cent of the prices of similar imports from Western European countries. The prices of such imports from Japan were 45 per cent and from Eastern Germany were 50 per cent of Western European prices. The price conditions in this industry have caused increases in imports which the Swedish Government has found it necessary to meet by imposing quantitative import restrictions.

48. The export of Japanese porcelain and earthenware dinner sets to the United States is subject to export price control applied by the Japanese Government.

H. Clinical Thermometers

49. On 22 May 1958 the United States import duty on this item was raised from 42½ to 85 per cent ad valorem. According to the Government of Japan, this action was taken by the United States Government on the grounds that imports of this product from Japan caused disruptive effects to the United States domestic market. Japan applies export price control on shipment of this product to the United States.

I. Aluminium Foil

50. The Government of Ceylon considers the recent trend in the imports of aluminium foil into Ceylon to be a typical example of a sudden influx of imports of a particular product disrupting the internal market and causing damage to a domestic industry. Imports of this product from Japan increased from 294 cwts. in 1955, to 1,680 cwts. in 1956, to 3,306 cwts. in 1957 and to as much as 4,939 cwts. in 1958. The relative prices of domestic and imported products in 1958 were as follows:

Average imported c.i.f.	-	Rs.263.36	per	cwt.
Ex factory	-	" 266.94	"	"
From Japan c.i.f.	-	" 219	"	"
From United Kingdom c.i.f.	-	" 235	"	"

J. Leather Goods

51. For the same reason as noted in paragraph 47 above, the import of leather goods into Sweden from the sources mentioned in that paragraph is subject to restriction.

K. Plywood

52. Hardwood-plywood has in recent years been imported into Canada from Japan at very low prices. As a result of agreements between the two countries Japan has imposed quantitative export restraint on shipments of this product to Canada.

53. Japan applies export restrictions on shipments of plywood (including Veneer and paper core) to the United States.

L. Plastic Buttons

54. The Union of South Africa has noted that in 1956 the competition in plastic buttons from Eastern sources became very keen. Imports increased progressively during the next three years and in 1959 plastic buttons originating in Japan and Hong Kong accounted for 70 per cent of the total imports of such buttons. The severest competition was experienced in the lower priced buttons which landed from Japan at 2s.2d. per gross as compared with an ex factory price of 3s.2d. per gross for similar buttons produced in South Africa. The measures taken by the South African Government to meet the problem are in the customs tariff field.

M. Paint Brushes

55. In 1955 imports of paint brushes into the Union of South Africa from mainland China comprised 1 per cent of the total imports of such brushes. The Chinese share in the imports increased rapidly to reach 26 per cent in 1957. Domestic producers of these brushes maintained that the world supply of the raw material, viz. bristle, was to a very great extent controlled by the Chinese authorities and that the difference in price between the raw material and the finished product as supplied by the Chinese exporter was insufficient to account for the manufacturing costs of the brushes.

<u>Size</u>	<u>Landed price ex China</u>	<u>Ex factory price of domestic product and landed price ex Western sources</u>
3/4 inch	5s. 4d.	14s.
1 inch	7s. 8d.	25s. 1d.
2 inch	21s. 9d.	67s. 7d.
3 inch	47s. 3d.	178s. 9d.
4 inch	99s. 6d.	336s. 2d.

56. Maximum import duties are increased to meet disruptive competition of this nature.

N. Artists' Watercolours in Tubes

57. Imports of this product into Australia increased abruptly in the second half of 1958, and the highest proportion of increase accrued to goods of Japanese origin. The gain made by Japanese watercolours reflected their price advantage; as of October 1958 the prices were as follows (gross of filled tubes in shillings):

<u>Origin</u>	<u>Wholesale</u>	<u>Retail</u>
Japanese	36/8	72/-
United Kingdom	96/-	156/-
Australia	78/-	132/-

58. In the years preceding 1957 no watercolours were imported from Japan. In 1957/58, £47,800 worth was imported from this source, representing 10.6 per cent of total imports of this product. In the second half of 1958, imports from Japan rose to £410,600 and 19.7 per cent of total imports of this product. During the same period sales of locally produced watercolours fell substantially, from £473,000 in 1957 to an annual rate of £37,000 in March/December 1958. An Australian departmental investigation showed that imports from Japan to the value of £17,564 were sufficient to damage the Australian industry and that the market for imported watercolours was £27,000 per annum. Imports from Japan in the second half of 1958 were equivalent to from £20,000 to £24,000 per annum, leaving between £3,000 to £7,000 for imports from all other sources.

59. Following discussions between the two countries, Japan agreed in March 1959 to restrict exports to Australia during the calendar year 1959 to a level of 13,000 dozen boxes. However, actual imports from January/May 1959 and the estimated imports for June/July 1959 totalled some 20,000 dozen boxes. On 3 August 1959 the Australian Government suspended the issue of licences for the importation of watercolours from Japan, pending receipt and consideration of the report by the Tariff Board which had been asked to enquire and report on the Australian industry.

O. Electric Batteries

60. In 1957 heavy imports of electric dry cells (torch batteries) from Hong Kong caused disruption in the New Zealand market because of the very low prices at which the product was being landed in New Zealand. This was the result of a special competitive situation of the Hong Kong industry. To meet the situation the customs duty on this item was raised through the introduction of a specific duty to be applied where it was higher than the ad valorem rate.

P. Toilet Combs

61. The same problem as described above was faced by New Zealand with respect to imports of this product from Hong Kong, and the same measures were taken.

Q. Watches

62. The United States Tariff Commission, in a report transmitted to the President in 1954, found that watches were being imported into the United States in such increased quantities as to cause serious injury to the American watch manufacturing industry. The Commission recommended that in order to remedy this serious injury to the domestic industry, the rates of duty upon certain types of watches should be increased. In July 1954, the President put into effect these recommendations, made under Section 7 of the Trade Agreements Extension Act of 1951, with respect to the rates of duty on imports of non-jewelled watches and watches containing no more than seventeen jewels. The effect of this action was to increase some duty rate then in effect by amounts of up to 50 per cent but in no case above the original rates set in the Tariff Act of 1930.

R. Lead and Zinc

63. In 1954, the United States Tariff Commission, as a result of an investigation made under Section 7 of the Trade Agreements Extension Act had found that lead and zinc of certain kinds were being imported into the United States in such increased quantities as to cause serious injury to the domestic industries producing like or directly competitive products. The Commission recommended the modification of the appropriate duty concessions granted under GATT on the products in question and the application of certain higher duty rates. As a result of a second investigation by the Tariff Commission, the President, by a Proclamation dated 22 September 1958, placed a quota on imports of unmanufactured lead and zinc. The quota was allocated among the exporting countries.

S. Other Cases mentioned by Contracting Parties

64. The Member countries of EEC have indicated that problems of market disruption can arise with respect to a wide range of manufactured products (see Annex B). The following products have been particularly mentioned as examples of products with respect to which such problems could arise for the countries in the Community: textiles and clothing, ceramics, optical goods, precision instruments, glassware, rubber shoes, toys, metal articles, chemical and pharmaceutical products, radio apparatus, sewing machines.

65. The Government of Sweden has also mentioned the following products as having created problems for the Swedish market on account of low price imports: sewing machines, discharge pipes, hat bodies and half capelins.

Disruptions which have not been considered serious enough to call for action have occurred in connexion with imports of: graphite electrodes, zip fasteners, rubber hose, zinc-white and asbestos-cement products.

66. The Government of Czechoslovakia has referred to the withdrawal by the United States in 1950 of a tariff concession on felt hats and hat bodies and to other action taken under Article XIX (e.g. those mentioned in GATT/CP/83) by that contracting party. It is stated that export of Czechoslovak shoes to the United States has been impeded by the United States through the use of valuation and investigation procedures.

67. In addition to the export restrictions referred to in various previous sections, Japan also applies quantitative and/or price export controls on certain other exports to the United States, including the quantitative controls on tuna fish of various kinds, umbrellas and paper cups; and export price controls on yellow fin tuna, wood screws, iron pipe fittings and transistor radios. A complete list of all Japanese export controls is given in Annex D.

III. GENERAL OR DISCRIMINATORY MEASURES AFFECTING THE EXPORTS OF CERTAIN COUNTRIES

68. Certain contracting parties have supplied information on imports restrictions applied by other contracting parties on their exports without being able definitively to relate the restrictions to the problem of market disruption. The Government of Japan for example supplied a comprehensive list of instances in which most-favoured-nation tariff treatment was withheld from Japan or discriminatory import restrictions were applied against Japanese goods. In the absence of corroborating assertions from the countries applying the discrimination, it is difficult to state whether and to what extent some of the particular discriminatory measures have been applied for the purpose of forestalling or redressing problems of market disruption. The statement supplied by the Japanese Government is reproduced as Annex C.

69. The United States has called attention to the import restrictions originally instituted for balance-of-payments considerations, which in a number of cases have been continued beyond the period justified for financial reasons and which in many cases are discriminatory. The United States believes that over the time involved and the range of commodities covered by quantitative and other restrictions the United States could have competed effectively, either on the basis of style or price with the foreign products which were actually bought. For example, the United States is able to offer coal for export at advantageous prices because of the productive

efficiency of the industry which employs highly skilled and highly paid labour, and of United States motor cars which have always shown their appeal to purchasers in markets freed from restrictions.

70. Denmark notes that its agricultural exports, which are capable of competing on equal terms with the products of most other countries, have been extensively subjected to import restriction and subsidy schemes in many countries. Likewise the Government of Cambodia has mentioned the restrictions imposed by certain consumer countries on the import of rice.

IV. GENERAL OBSERVATIONS AND COMMENTS BY CONTRACTING PARTIES

Measures Taken by Contracting Parties

71. Apart from the measures discussed in Part II in relation to particular products, certain contracting parties have referred to other measures which have been or might be relied upon for dealing with such situations. The Government of Finland, for example, has referred to the minimum specific duties introduced in the Finnish Customs Tariff as a supplement to the normal ad valorem duties. These specific duties, which have been applied to textiles, glassware and pottery, are calculated so that they are effective only in respect of low-priced imports. Finland and New Zealand have mentioned their anti-dumping legislation which provides a safeguard against imports involving price differentiation in the exporting country. The Governments of Canada and New Zealand have referred to their agreements of commerce with Japan which include clauses permitting either partner to take action to regulate the inflow of imports so as to avoid the possibility of damage to domestic industry. In the agreement between Japan and New Zealand the Japanese Government has undertaken to use its endeavours within its constitutional authority to ensure that exports from Japan to New Zealand are conducted in such a way as to remedy damage or to avoid the prospect of damage to New Zealand industry.

72. To sum up, the information available indicates that the following arrangements and devices have been used by contracting parties in dealing with or forestalling situations of market disruption:

Import restrictions, including:

- Discretionary licensing,
- Global quotas,
- Single country quotas (in some cases resulting from agreement with the government or industry of the exporting country);

Export restrictions, including:

- General export quotas,
- Quotas on imports to particular countries (in some cases resulting from agreement or consultations with the importing country);

Customs tariff operations, including:

- (i) Increases in maximum duty rates,
- (ii) Increases in most-favoured-nation rates,
- (iii) Minimum specific duties,
- (iv) Rated (sliding) duty rates,
- (v) Anti-dumping duties,
- (vi) Tariff quotas.

References to Provisions of the General Agreement

73. In their replies to the secretariat questionnaire certain contracting parties have made reference to the relationship between their measures and the provisions of the General Agreement. It may be noted that many of the countries applying restrictions are at present, or were until recently, resorting to the provisions of Article XII, and in some cases also Article XIV. Among the countries currently acting under Article XII, Denmark has supplied a complete list of the products subject to import restrictions and referred to its recent action of trade liberalization and the possibility of further removal of such restrictions. The Danish Government considers that the effects of the recent liberalization measures are yet to be felt and those of future liberalizations can not be assessed at the moment. No decision has yet been taken as to how far and when the abolition of import restrictions will be extended to countries outside the dollar and EPU areas. The position of the Federal Republic of Germany and Italy, both of which have ceased to act under Article XII, is stated in Section II of Annex B to the present paper. In one particular case (Ceylon) the local textile industry is said to have been sheltered against sudden influxes of imports partly by the import regulation measures on which releases have been granted by the CONTRACTING PARTIES under Section C of Article XVIII. The Government of Austria has stated that up to now it has been possible to counteract the detrimental effects of disruptive imports from certain sources by general measures provided for in the General Agreement.

74. As mentioned in Part I above, certain contracting parties have mentioned their invocation of Article XXXV in connexion with the problem of market disruption. The Governments of Belgium, Luxemburg and the Netherlands have, for example, stated that the measure they have taken for the purpose in question consisted in the invocation of Article XXXV of the General Agreement. The Government of France has noted that its imports from Japan are governed by the provisions of Articles XII, XIV and XXXV of the General Agreement. The United Kingdom's written statement does not cover its treatment of imports from Japan (noting that "the considerations which led the Government to invoke Article XXXV in relation to Japan were explained at the time").

General Comments by Contracting Parties

75. The Union of South Africa has submitted a general statement on its policy relating to problems of market disruption. The Union Government states that on the basis of recommendations of a special board, the South African Government reimposed in the early 1950's suspended duties in the maximum column on a fairly wide range of products which in the view of the South African Government should serve as a potential protective barrier against any threat of disruptive competition which might develop. Subsequently, the Union's secondary industries experienced disruptive competition of varying intensity over a very wide field. The possibility of importing at unreasonably low prices generally had the effect of dislocating the domestic market without necessarily involving large volumes of commodities being imported. Against this background a measure of protection to the domestic industries has been afforded by means of the customs tariff. The South African Government states that the protection is not given indiscriminately and that the rates of duties imposed are not uniform, the type of duty chosen being that best suited to the particular circumstances. In some cases, where it is possible to make use of rated (scaled) duties, these have been applied to give effective protection to products falling within the low-price field, while leaving the duties on the goods in the higher price field unchanged.

76. The Government of Japan states that, with the object of promoting the orderly marketing of Japanese exports and of avoiding unnecessary frictions in the markets of the importing countries, it has applied export controls on a considerable number of goods. Most of the export controls are applied on an individual country basis, the quantity and price of goods being the central aspects of the controls, accompanied by quality controls whenever the occasion requires. Export controls on an overall global basis are practised on a small number of goods in respect of price, quality and design. The Japanese Government is convinced that this system of self-imposed export controls has achieved, and is achieving, satisfactory results and has proved to be an effective means to realize the policy of the Government to attain an orderly expansion of trade by way of keeping up prices, of increasing the quantity of trade at a reasonable and gradual rate and of improving the quality of goods. The principal products which are currently under export controls on an individual country basis are listed in Annex D.

77. The Japanese Government has stressed, however, that the furnishing of the information in response to the questionnaire should not be deemed to imply its recognition of the existence of the so-called problems of market disruption, or its entertaining no objection to the restrictive measures taken by the other contracting parties.

78. In relation to the references in Part II of this paper to problems created by imports from certain Eastern European countries, it may be noted that the Government of Poland has stated that the import restrictions

applied by certain contracting parties on Polish products could hardly be justified on the ground that such exports caused, or might cause, a disruptive situation. Similarly the Government of Yugoslavia believes that there should be no reason for other countries to restrict imports from Yugoslavia on the ground of market disruption.

79. The Member countries of the European Economic Community are of the opinion that the cases of market disruption which have been experienced up to the present, and the restrictive measures which have been taken to prevent such disruption, are merely isolated instances reflecting a general problem which may become manifest in different sectors of the economy. The individual cases referred to in their reply to the questionnaire should be regarded as no more than illustrations of particular manifestations of this general problem. In the view of the EEC countries, technical progress, which permits a rapid rise in productivity of labour, usually precedes the rise in the general standard of living. A country in the course of technical modernization or industrialization is likely to benefit for a certain time from abnormally low selling prices resulting from a combination of modern techniques and a low standard of living. This being the case, it can be envisaged that the problems of conditions of competition will be with us for many years to come and will only become more and more general and acute. The EEC countries therefore believe that the problem cannot be adequately dealt with on a case by case basis (see Annex B for the text of the statement by the EEC countries).

80. The Government of Czechoslovakia, in deploring unilateral restrictive measures taken by importing countries, expressed the view that the rules of GATT provide adequate safeguards against the adverse effects of temporary market disruption. Czechoslovakia advocates the adherence to the principle of non-discrimination, the abstention from taking unilateral protective action, the provision of advance information on any measures that must be taken and greater use of the consultation procedures. Consultations should proceed rather than follow any restrictive action, whenever any serious difficulties are in sight, with a view to arriving at mutually acceptable means of averting the difficulties, such as the voluntary restriction of exports by the exporting country.

81. The Government of Norway expressed the view that while the problem of imports from low-price countries appears to many industrialized countries to be one of dumping, there is involved a very difficult problem of economic policy. Even as they are providing development aid for the industrialization of the less-developed countries, the industrial countries place obstacles in the way of the sale by the less-developed countries of the resulting products. The Norwegian authorities consider that the problem of imports of low price articles can probably only be resolved in a satisfactory way through international joint effort.

ANNEX A

Questionnaire Requesting Relevant Information
from Contracting Parties

(GATT/AIR/173 of 18 December 1959)

1. It will be recalled that at the Ministerial meeting during the fifteenth session in Tokyo attention was called to the problem of disruption of markets caused by a sudden influx of imports. It was pointed out that sharp increases in imports, over a brief period of time and in a narrow range of products, could have serious economic, political and social repercussions in the importing countries and that the problem was to find the means to alleviate the adverse effects of such abrupt invasions of established markets while continuing to provide steadily enlarged opportunities for trade. At the seventeenth meeting of the session the CONTRACTING PARTIES agreed that the question should be included in the agenda for the sixteenth session at which time they would decide on procedure to be adopted for dealing with it and would consider whether it would be appropriate to establish a panel of experts. In the meantime, the secretariat was instructed "to submit a factual report to the CONTRACTING PARTIES and to consult with governments with a view to ensuring that this report was complete" (see SR.15/17).

2. In the light of this instruction it would be appreciated if CONTRACTING PARTIES would supply whatever information is at their disposal. The secretariat will then prepare its report on the basis of such information and of other data available from other sources. Consequently, your Government is hereby requested to supply by 15 March 1960 information on the following questions:

- I. (a) Has your Government experienced specific cases of disruption of particular markets of the type described in paragraph 1? If so, describe the particular circumstances of each case, including the products involved, the source of supply and data relating to prices. In this latter connexion give, if possible, the prices quoted for the products from the source of supply in question and the prices of like goods imported from other sources. Indicate, in particular, whether the disruption was due to isolated imports from particular firms or was the result of special competitive situation of the branch of industry as a whole in the supplying country.
- (b) Has your Government taken specific measures to deal with the situation or situations described? If so, describe the measures taken. If no specific measures were taken by your Government, how was the problem resolved?

- (c) Has your Government, considering that some branches of industry might face a disruptive situation of the type described in paragraph 1 unless restrictions were placed upon imports from certain sources of supply, taken any restrictive measures? If so, describe the measures taken, the products covered and the sources of supply to which the measures were applied.
- II.(a) Are the exports of your country or some of your exports subject to restrictive measures, in the territories of another contracting party or parties, which have been, or appear to have been, imposed or maintained on the grounds that such exports have given or might give rise to a disruptive situation as described in paragraph 1? If so, describe the products affected and the specific measures involved.
- (b) Has your Government taken any action to limit exports of particular products to particular markets in order to avoid the development of a situation such as that described in paragraph 1 in those markets?

ANNEX B

Note from the Governments of the Member States
of the European Economic Community concerning
the Problem of Market Disruption

1. The Governments of the Member States of the European Economic Community recognize that the problem of market disruption, brought about by an abrupt invasion of foreign products, deserves their close attention. They consider that the decision arrived at by the CONTRACTING PARTIES during the fifteenth session at Tokyo to instruct the Executive Secretary of GATT to collect factual information concerning this problem will tend to strengthen the principles of the General Agreement and is, therefore, deserving of their full co-operation.
2. They recognize, moreover, that the secretariat of GATT, in drawing up its questionnaire, has endeavoured to be as factual as possible and to obtain from the contracting parties all data apt to be included in its report in order to arrive at a description as comprehensive as possible of the problem.
3. In this connexion, it should be mentioned that, as visualized by the Governments of the Member States of the Community, the above problem pertains solely to market disruption caused by imports from abnormally low-wage countries. The present note, therefore, does not deal with problems likely to arise as a result of imports from State-trading countries.
4. In view of the fact, however, that the questions, as formulated in the questionnaire, merely ask for data as to isolated cases of market disruption, they do not appear to be apt to bring out in all their aspects the various implications of the problem to be studied. It would seem necessary, rather, to analyze the actual economic data and those pertaining to commercial policy, as well as their causes, such as they exist in the various countries, and to elucidate their dependence on each other.
5. The cases of market disruption which have occurred up to the present time or of restrictive measures aimed at the avoidance of such market disruptions are in general merely the isolated expression of an overall problem, the effects of which are likely to make themselves felt in various sectors of economic life, national as well as international. For this reason, while a list of isolated cases may be of some use in order to provide some practical instances and to keep the debate on realistic ground, it fails to give adequate indications as to the extent of the problem and its effects on international trade.
6. The Member States of the EEC are of the opinion, therefore, that they should bring to the attention of the Executive Secretary of GATT a number of considerations of a general character - confined to factual matters - likely to contribute to a clear delineation of the problem. At the same time, they are

submitting in an annex to the present document, as an example, some data requested in paragraph I of the questionnaire issued by the Executive Secretary of GATT.¹

SECTION I - GENERAL CONSIDERATIONS

7. The problem of market disruption, or - to express it in the terms used by Mr. Dillon on the occasion of the Ministerial meeting at Tokyo - of the "abrupt invasion of established markets", is a problem which has only comparatively recently come to the attention of GATT and of which it is still difficult, at the present juncture, to gauge the actual extent and to visualize the degree of amplitude which it may assume in future.

8. In fact, it was not until the end of the period of reconstruction which followed the second world war that this problem began to propound itself to GATT in connexion with the economic trends and transmutations in progress in many countries.

9. Historical experience has shown that technical advance which permits a rapid increase in the productivity of labour always precedes a general rise in the living standard of the population as a whole, which in turn brings about a substantial rise in industrial and agricultural wages. A country in process of industrialization or of technical modernization enjoys, therefore, for a more or less lengthy period, the benefit of abnormally low costs as a result of the combined effects of modern techniques on one hand and of the standard of living and wages inherited from its previous status on the other hand.

10. Such being the case, it may be foreseen that the problem of conditions of competition, which might be referred to - also in spheres other than that of wages - as "special conditions", will arise in the years to come in an increasingly general and acute manner. Unless an adequate and equitable solution of this problem is speedily found, cases of "breakdown of established trade exchanges" referred to by Mr. Dillon are likely to become frequent occurrences.

11. International trade exchanges have developed, until very recently, under conditions which have minimized, in the majority of countries, concrete manifestations of the phenomena of sudden invasion of the markets. It is a well-known fact that, during a prolonged post-war period, practically all the contracting parties to the General Agreement have resorted, in varying degrees, to restrictive measures on imports, under the GATT provisions applicable in such cases.

12. It was not until recent years, when a number of contracting parties, as a result of the improvement in their balance of payments, ceased to have the right to impose import restrictions under the terms of Article XIII of GATT, that the problem started to crop up.

¹ The contents of the two annexes have been fully incorporated in the text of the secretariat's note. They are not reproduced.

13. At the present moment, the situation presents a particularly complex character. On one hand, several of the contracting parties are no longer entitled to resort to Article XII of the General Agreement. On the other hand, a fairly large number of contracting parties have the right to maintain import restrictions under the terms of Article XXV. Moreover, other contracting parties who cannot invoke either Article XXV or Article XII, have sometimes been able, on the basis of special understandings with exporting countries whose wages are abnormally low, to agree upon restrictions constituting a safeguard against the influx of goods originating in those countries.

14. Considered from the viewpoint of the general principles of GATT, such a situation is unsatisfactory, being conducive to an inconsistent and unfair apportioning of advantages and obligations between the contracting parties.

15. There is indeed a danger that, failing a general and organic solution of the problem, the measures adopted by the various contracting parties, including even those which comply with the GATT provisions, may increase the pressure exerted by the products concerned on the markets of countries which have not resorted to such measures. The outcome is that, while such measures should have been intended as temporary steps aimed at arriving at a solution of the difficulties, they end by aggravating a situation which, moreover, would tend to become permanent.

16. It appears necessary, therefore, to devise internationally appropriate solutions or pragmatic measures which, without hampering an orderly expansion of exports from low-wage countries, will preclude the untoward repercussions dreaded by importing countries in the sectors specified in the annex and in other important sectors of their domestic production.

SECTION II - SPECIFIC VIEWS EXPRESSED BY INDIVIDUAL
MEMBER STATES OF THE EEC REGARDING THEIR PARTICULAR
SITUATION

17. The Member States have already expressed in Section I above their general viewpoint concerning the replies to be given to Paragraph I of the questionnaire issued by the Executive Secretary. They consider it opportune, however, to add hereunder a few comments dealing with the particular situation which confronts them individually:

Benelux Countries

18. The only measure actually taken by the Benelux countries to preclude serious harm being inflicted on their industries through imports of certain specific products, consists in the invocation of Article XXV of GATT.

Federal Republic of Germany

19. As it does not invoke Article XXV and cannot avail itself of the provisions of Article XII, the Federal Republic of Germany is compelled to resort to other measures in order to alleviate the pressure exerted on the German market. In the case of a number of products originating in abnormally low-wage countries and which are still subject to restrictive measures,

consultations are in progress with the exporting countries concerned. It should be stressed, however, that such import controls as are still being enforced by the Federal Republic of Germany on those products are to be considered in the light of the views expressed in paragraph 3 of the present document. Relevant items of imports include mainly various cotton textiles from Japan, India and Pakistan, as well as ceramics from Japan. Imports of such articles originating in GATT countries which are not Members of the EEC take place within global quotas in which contracting parties may participate, on a non-discriminatory basis. The import controls maintained by the Federal Republic of Germany have enabled actual market disruption and adverse effects on home industries to be avoided or restricted within acceptable limits.

Italy

20. Italy has not invoked Article XXIV. However, until the end of 1959, it is invoked the provisions of Article XII of the General Agreement and for this reason was entitled to maintain a number of restrictive measures which had their origin in a problem of balance of payments. Such measures, while not explicitly taken for this reason, in fact affected a number of commodities in various sectors of production which would have been exposed to jeopardy had not imports from certain sources been restricted.

21. In view of the fact that, as a result of its improved balance of payments Italy will not be authorized for very much longer to maintain quantitative restrictions of a discriminatory nature, the dangers connected with imports of goods from abnormally low-wage countries are bound to make their appearance in a not too distant future.

22. With the possible elimination of quantitative restrictions, even if carried out gradually, the domestic market will find itself exposed to the risk of "disruption", because of the fact that similar products originating in countries where wages are substantially lower than the average wage level of Western European countries will henceforth effectively compete with like products of the home industry.

France

23. Up to the present, French imports have been conducted under the provisions of Articles XII and XIV of the General Agreement on Tariffs and Trade. In the case of Japan, French imports from that country are regulated under the provisions of Articles XII, XIV and XXIV.

ANNEX C

Statement by Japan on Discriminatory
Treatment of Japanese Exports

(on data available as of 1 February 1960)

A. Customs Duty

Among the countries invoking Article XXIV of the GATT against Japan:

France (tariff rates: minimum (most-favoured-nation) and general, but accords preferential rates to certain areas): While minimum rates are accorded with respect to a certain number of items, general rates are applied to other items.

Union of South Africa (tariff rates: minimum (preferential), intermediate (most-favoured-nation) and maximum): Maximum rates are applied.

Uganda (tariff rates: conventional and general, but accords preferential rates to certain countries): Most-favoured-nation rates are accorded except textiles which are subject to rates between minimum and general maximum of the old customs law (tariff rates: most-favoured-nation, minimum, intermediate and general maximum, and preferential rates to certain countries) and a surtax of 25 per cent or 100 per cent is additionally imposed on such textiles to which general maximum rates are applied.

Haiti (tariff rates: conventional, minimum and maximum). Maximum rates are applied. However, conventional or minimum rates will be applied in case the Agreement on Commerce between the two countries signed in December 1958 comes into force.

B. Import Restrictions

Among countries invoking Article XXIV against Japan:

United Kingdom: The United Kingdom has removed import restrictions on the greater part of commodities from the dollar area on several occasions since 1958. However, among such items, only salmon and salmon trout in air-tight containers, newsprint and other minor items are liberalized as far as the import from Japan is concerned, while no such benefits have been accorded in respect of the remaining items. As a consequence, the treatment now being accorded to Japan is practically the worst under the current British import system, except that to east European countries.

France: After the restoration of convertibility of its currency, France has expanded its liberalization list several times with respect to imports from the dollar area, and now the treatment to that area is almost similar to that for the OEEC countries, raising the rate of liberalization to about 90 per cent. However, the items liberalized for other countries including Japan (virtually globally liberalized items), are only around 560, which makes 60 per cent in the rate of liberalization.

The Netherlands: There are two categories of import liberalization in the Netherlands: one for the OEEC countries and the other for the dollar area. Japan has no share in the benefit of either category of liberalization and all its imports are to require individual licences. In actual practice, however, such licences are being granted comparatively liberally.

Economic Union of Belgium-Luxemburg: There are 159 items requiring import licences which apply uniformly on a global basis. With respect to Japanese goods (and those from Hong Kong), 39 more items (mainly textile goods) are to require licences for their import. Furthermore, of the above licence-requiring items, cotton, staple fibre, artificial silk and nylon goods, knitted woollen goods, sewing machine heads and ceramic products from Japan are subject to quantitative restrictions. (As from 1 March 1960 however, all the products from Japan are subject to licences.)

Austria: Austria's liberalization rate is 90 per cent for the imports from the OEEC countries and about 40 per cent for the imports from the United States and Canada (the percentage difference coming mainly from agricultural products). As no bilateral agreement exists between Japan and Austria, specific licence is required for all imports from Japan.

Rhodesia and Nyasaland: Practically almost all the goods from the sterling area and the OEEC countries are freely imported. With respect to imports from the dollar area, only five items are left to discriminatory treatment. On the other hand, commodities of Japanese origin are not accorded the open general licence treatment except some items, although, in actual practice, annual quotas of £2,000,000 are set for Japanese goods.

Among GATT member countries, not invoking Article XXIV against Japan:

Italy: It is understood that Italian expansion of the liberalizing measures of late for imports from dollar area has now raised the rate of liberalization to more than 90 per cent. However, Japanese imports are not allowed to share the benefit of this action, while India, Australia, Hong Kong and Indonesia are being accorded treatment similar to the OEEC countries. For Japan only thirty-one commodities in the free list for Japan of January 1956 have been liberalized (liberalization rate: 20 per cent).

Sweden: Sweden discriminates between imports from Japan and those from the OEEC area, the dollar area and the open account countries in such a manner that only imports from Japan require individual licences. However, except several items, imports from Japan are virtually permitted liberally.

Norway: For imports from Japan, individual licences are required. No favourable treatment granted to the dollar area, the open account area and other free list areas are accorded to Japanese exports. In addition, such licences are issued after taking account of the actual need for, and the price of, the commodity, the foreign exchange position, etc., thereby making the issuance restrictive.

Denmark: The liberalization rate for the OEEC countries and Finland is about 90 per cent. The dollar area, for which import restrictions have been relaxed three times in the past two years, now shares the benefits of liberalization accorded to the OEEC countries, and other GATT member countries are also accorded similar treatment. On the other hand, no such treatment is accorded to Japan and Peru. Furthermore, its global quota system only covers the OEEC countries and the dollar area, leaving Japan outside of the system. Thus, all the imports from Japan are to require specific licences. However, apart from the institutional discrimination, Japan is actually being granted import licences without quantitative or any other restrictions in respect of the items liberalized for the OEEC countries and the dollar area.

Finland: The liberalization rate for "Helsinki Club" countries is 82 per cent, while the imports from the sterling area, the dollar area, and the countries with which Finland has concluded bilateral trade arrangements are more or less liberalized, merely subject to automatic approval licence, liberal licence or global quota. However, all the imports from Japan are to require individual licences.

ANNEX D

List of Principal Products on which
Japan applies Export Control

(List supplied by Japan)

Areas under Export Con- trol	Products	Features of Export Control		
		Price	Quantity	Quality
Canada	Stainless steel table flatware	o	o	
	Cotton piece-goods	o	o	
	Spun rayon made-up goods		o	o
	Woollen knitted made-up goods		o	
United States	Frozen tuna, albacore	o	o	
	Frozen tuna, loins and discs	o	o	
	Tuna, yellow fin	o		
	Frozen tuna, swordfish		o	
	Canned tuna		o	o
	Plywood, (including veneer and paper core)	o	o	
	Wood screws	o		
	Iron pipe fittings	o		
	Clinical thermometers	o		
	Transistor radios	o		
	Stainless steel table flatware	o	o	
	Porcelain and earthenware, dinner sets	o		
	Umbrellas		o	
	Silk faille, plain and mixed		o	
	Cotton piece-goods	o	o	
	Woollen fabrics	o	o	
	Silk scarves and mufflers	o	o	
	Woollen knitted goods		o	
	Woollen hooked rugs		o	
	Paper cups		o	
Switzerland	Cotton piece-goods		o	
	Woollen knitted wear and sweaters		o	
	Cotton made-up goods (blouses and sports shirts)	o	o	

Areas Under Export Con- trol	Products	Features of Export Control		
		Price	Quantity	Quality
Denmark	Cotton piece-goods	o	o	
	Woollen yarns		o	
	Spun rayon, rayon cloth		o	
	Cotton made-up goods		o	
	Spun rayon made-up goods		o	
	Woollen knitted made-up goods		o	
Benelux	Cotton piece-goods	o	o	
Australia	Cotton piece-goods	o	o	
	Woollen knitted goods		o	
	Made-made fibre piece goods		o	

ANNEX E

Goods originating in Hong Kong excluded from
the French Liberalization List applicable to OEEC
Countries and Dependent Overseas Territories

(As published in Journal Officiel
dated 24 December 1959)

Tariff No.	Description
Ex 50-09	Woven fabrics of silk or of waste silk other than noil: Not printed.
51-04	Woven fabrics of man-made fibres (continuous) including woven fabrics of monofil or strip of heading No.51-01 or 51-02.
55-07	Cotton gauze.
55-08	Terry towelling and similar terry fabrics, of cotton.
55-09	Other woven fabrics of cotton.
56-07	Woven fabrics of man-made fibres (discontinuous or waste).
58-04	Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within heading No. 55-08 and fabrics falling within heading No.58-05).
58-05	Narrow woven fabrics and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No. 58-06. Nets and netting made of twine, cordage or rope, and made-up fishing nets of yarn, twine, cordage or rope:
59-05 A	Made-up fishing nets.
60-02	Gloves, mittens and mitts, knitted or crocheted, not elastic nor rubberized.
60-04	Under garments, knitted or crocheted, not elastic or rubberized. Outer garments and other articles, knitted or crocheted, not elastic nor rubberized:
60-05 B	Garments
	Men's and boys' outer garments:
61-01 A	Working garments (for example, aprons, overalls, boiler suits).
61-01 Ex C	Others, of wool, containing less than 15 per cent by weight of discontinuous artificial textile fibres.
	Women's, girls' and infants' outer garments:
61-02 A	Infants' articles.
	Other:
61-02 B a	Working garments (for example, aprons, overalls, boiler suits). Other:
	Shirt-waists, blouses and other lingerie articles:
61-02 B c	Entirely or partially hand-made.
61-02 B d	Machine-made.
61-02 B ex e	Others, of wool, containing less than 15 per cent by weight of discontinuous artificial textile fibres.

Tariff No.	Description
61-03	Men's and boys' under garments, including collars, shirt fronts and cuffs.
61-04	Women's, girls' and infants' under garments.
61-05	Handkerchiefs.
Ex 61-06	Shawls, scarves, mufflers, mantillas, veils and the like, other than those of printed fabric of silk or silk waste.
61-07	Ties, bow ties and cravats.
61-09	Corsets, corset-belts, suspender-belts, brassieres, braces, suspenders, garters and the like (including such articles of knitted or crocheted fabric) elastic or not.
	Travelling rugs and blankets:
	Other:
52-01 Ex B	Of wool, containing less than 15 per cent by weight of discontinuous artificial textile fibres, and rugs of other textile materials, except those of discontinuous artificial textile fibres.
62-02	Bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles.
	Footwear with outer soles of leather or leather substitutes; footwear (other than footwear falling within heading
	No. 64-01) with outer soles of rubber or artificial plastic
	With uppers of other materials: (material:
	Footwear not passing the ankle:
	Other:
64-02 D c	With soles of rubber or artificial plastic materials.
	Footwear passing the ankle:
64-02 D ex d	Footwear called "basket-weave" (chaussures dites "de basket").
	Hat shapes, plaited or made from plaited or other strips of any material, neither blocked to shape nor with made
	brims:
Ex 55-02	Stitched hoods.
	Other headgear, whether or net lined or trimmed:
	Other.
65-06 D	Primary cells and primary batteries.
85-03	Portable electric battery and magneto lamps, other than lamps falling within heading No. 85-09.
85-10	Buttons and button moulds, studs, cuff-links, and press-fasteners, including snap-fasteners and press-studs; blanks and parts of such articles:
98-01 A	Blanks and moulds,
	Buttons and parts thereof (other than blanks and moulds):
	Other buttons and studs:
	Not covered with textile materials:
98-01 B f	Of artificial plastic materials.
	Of glass:
98-01 B h	Decorated.
98-01 B k	Covered, wholly or partly, with textile materials.

Tariff No.	Description
98-03 A	Fountain pens, stylograph pens and pencils (including ball-point pens and pencils) and other pens, pen holders, pencil holders and similar holders, propelling pencils and sliding pencils; parts and fittings thereof, other than those falling within heading No. 98-04 or 98-05: Fountain pens, stylograph pens and pencils (including ball-point pens and pencils).
