

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

### Stainless Steel Flatware<sup>1</sup>

The following communication dated 5 June 1978 has been received from the Permanent Mission of the United States.

The United States International Trade Commission (USITC) reported to the President on 8 May 1978 that it had determined that stainless steel flatware (knives, forks, spoons and ladles, with stainless steel handles, provided for in items 650.08, 650.09, 650.10, 650.12, 650.38, 650.39, 650.40, 650.42, 650.54, 650.55 and, if included in sets, 651.75 of the Tariff Schedules of the United States) is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat thereof to the domestic industry producing an article like or directly competitive with the imported article.

The Commission recommended to the President that he provide relief in the form of increased tariff rates for a period of five years. The existing Column One (MFN) and proposed new increased rates are as follows:

A. Knives and forks valued at less than 25 cents each (Tariff Schedules of the United States items 650.08, 650.10, 650.38 and 650.40).

I. Existing Column One (MFN) rates:

Items 650.08 and 650.38: 1 cent each plus 12.5 per cent ad valorem.

Items 650.10 and 650.40: 1 cent each plus 17.5 per cent ad valorem.

<sup>1</sup> L/4311 and Add.1

II. Recommended higher tariffs:

First year - 1 cent each plus 55 per cent ad valorem.  
Second year - 1 cent each plus 50 per cent ad valorem.  
Third year - 1 cent each plus 45 per cent ad valorem.  
Fourth year - 1 cent each plus 40 per cent ad valorem.  
Fifth year - 1 cent each plus 30 per cent ad valorem.

B. Knives and forks valued at 25 cents or more but less than 60 cents each (items Ex 650.09, Ex 650.12, Ex 650.39 and Ex 650.42).

I. Existing Column One (MFN) rates:

Items 650.09 and 650.39:  $\frac{1}{2}$  cent each plus 6 per cent ad valorem.

Items 650.12 and 650.42:  $\frac{1}{2}$  cent each plus 8.5 per cent ad valorem.

II. Recommended higher tariffs:

First year -  $\frac{1}{2}$  cent each plus 55 per cent ad valorem.  
Second year -  $\frac{1}{2}$  cent each plus 50 per cent ad valorem.  
Third year -  $\frac{1}{2}$  cent each plus 45 per cent ad valorem.  
Fourth year -  $\frac{1}{2}$  cent each plus 40 per cent ad valorem.  
Fifth year -  $\frac{1}{2}$  cent each plus 30 per cent ad valorem.

C. Spoons and ladles valued less than 60 cents each (items 650.54 and Ex 650.55).

I. Existing Column One (MFN) rate:

Item 650.54 - 17 per cent ad valorem.

Item 650.55 - 8.5 per cent ad valorem.

II. Recommended higher tariffs:

First year - 55 per cent ad valorem.  
Second year - 50 per cent ad valorem.  
Third year - 45 per cent ad valorem.  
Fourth year - 40 per cent ad valorem.  
Fifth year - 30 per cent ad valorem.

D. Sets (item Ex 651.75)

Knives, forks and spoons and ladles having stainless steel handles will continue to be dutiable at the rate of duty applicable to that article in the set subject to the highest rate of duty including, for such articles valued under 60 cents, the proposed new rates.

E. Effect of proposed higher tariffs.

In 1977 the weighted average ad valorem equivalent of the existing rates of duty applying to stainless steel flatware was about 17 per cent. Under the proposed higher rates the average ad valorem equivalent would be as follows:

First year - 59 per cent  
Second year - 54 per cent  
Third year - 49 per cent  
Fourth year - 44 per cent  
Fifth year - 34 per cent

The Commission's report indicates that imports have increased, domestic production has declined, and as a result, imports now supply a larger share of United States market than formerly as shown in the following tabulation (United States producers' shipments, imports and apparent consumption-quantity in 1,000 dozen units; ratio of imports of consumption in percentage points).

1973 - United States producers' shipments 21,369; imports 30,650; apparent consumption 51,750, and ratio of imports to consumption 59.2.

1974 - United States producers' shipments 20,934; imports 32,784; apparent consumption 53,479, and ratio of imports to consumption 61.3.

1975 - United States producers' shipments 16,504; imports 28,902; apparent consumption 45,272, and ratio of imports to consumption 63.8.

1976 - United States producers' shipments 15,989; imports 40,980; apparent consumption 56,824, and ratio of imports to consumption 72.1.

1977 - United States producers' shipments 15,727; imports 47,855; apparent consumption 63,447, and ratio of imports to consumption 75.4.

The report also shows that the number of production and related workers engaged in the production of stainless steel flatware and man hours worked has shown a general decline (man hours in thousands):

1973 - 3,196 workers, 4,961 man hours  
1974 - 3,245 workers, 5,003 man hours  
1975 - 2,531 workers, 3,648 man hours  
1976 - 2,463 workers, 3,566 man hours  
1977 - 2,384 workers, 3,595 man hours

In addition, the report shows that the industry's net operating profits and the ratio of net operating profit to net sales are at lower levels (net operating profits in US\$1,000; ratio of operating profit to sales in percentage points):

1973 - net operating profits of 6,524; ratio of net operating profit to net sales 8.5.

1974 - net operating profits of 6,764; ratio of net operating profit to net sales 8.4.

1975 - net operating profits of 4,193; ratio of net operating profit to net sales 4.9.

1976 - net operating profits of 5,170; ratio of net operating profit to net sales 6.2.

1977 - net operating profits of 5,750; ratio of net operating profit to net sales 6.5.

United States imports of stainless steel flatware (including articles valued over 60 cents each) by principal sources for the years 1975/77 are shown in the following tabulation (value in million dollars):

1975 - all countries 40.0, Japan 21.3, Korea 7.8, Taiwan 5.6.

1976 - all countries 56.8, Japan 27.1, Korea 16.8, Taiwan 7.4.

1977 - all countries 71.0, Japan 28.3, Korea 29.6, Taiwan 9.9.

Almost all of United States imports of stainless steel flatware is believed to be comprised of articles valued at less than 60 cents a unit. Additional data pertaining to articles valued at less than 60 cents a unit entering under the items applying to knives, forks, spoons and ladles affected by the Commission's recommendations will be provided in a supplemental notification.

The United States has granted concessions in Schedule XX on all of the affected Tariff Schedules of the United States items. The initial negotiating rights by item are as follows:

650.08 and 650.38:

European Economic Community (6)	- 1 cent each plus 12.5 per cent ad valorem.
United Kingdom	- 2 cents each plus 25 per cent ad valorem.

650.09 and 650.39:

- |                                 |  |
|---------------------------------|--|
| Kennedy Round                   | - 0.5 cents each plus 6 per cent ad valorem. |
| European Economic Community (6) | - 1 cent each plus 12.5 per cent ad valorem. |
| United Kingdom                  | - 2 cents each plus 25 per cent ad valorem.  |

650.10 and 650.40:

- |                                 |   |
|---------------------------------|---|
| European Economic Community (6) | - 1 cent each plus 17.5 per cent ad valorem.  |
| United Kingdom                  | - 2 cents each plus 17.5 per cent ad valorem. |

650.12 and 650.42:

- |                                 |  |
|---------------------------------|--|
| Kennedy Round                   | - 0.5 cents each plus 8.5 per cent ad valorem. |
| European Economic Community (6) | - 1 cent each plus 17.5 per cent ad valorem.   |
| United Kingdom                  | - 2 cents each plus 17.5 per cent ad valorem.  |

650.54:

- |                                 |                           |
|---------------------------------|---------------------------|
| European Economic Community (6) | - 17 per cent ad valorem. |
| United Kingdom                  | - 20 per cent ad valorem. |

650.55:

- |                                 |                            |
|---------------------------------|----------------------------|
| Kennedy Round                   | - 8.5 per cent ad valorem. |
| European Economic Community (6) | - 17 per cent ad valorem.  |
| United Kingdom                  | - 20 per cent ad valorem.  |

651.75:

Canada, Denmark, European Economic Community(6), Japan, Sweden, United Kingdom - rate of duty applicable to that article in the set subject to the highest rate of duty.

Additional details are presented in the report of the Commission to the President, United States International Trade Commission Publication 884, dated May 1978.

Under Section 202 of the Trade Act of 1974 the President has 60 days following the receipt of a recommendation from the Commission for the provision of import relief to determine what method and amount of import relief we will provide or determine that the provision of relief is not in the national interest of the United States.

The United States is ready to consult with the CONTRACTING PARTIES and with those contracting parties having a substantial interest as exporters of stainless steel flatware in respect of the proposed action.

