

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

Clothes-pins

The following communication dated 29 December 1978 has been received from the Permanent Mission of the United States.

On 12 December 1978 the United States International Trade Commission (USITC) reported to the President its determination that clothes-pins classified under items 790.05, 790.07 and 790.08 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing articles like or directly competitive with the imported articles.

To remedy the serious injury, the Commission recommended a global quota on United States imports of wood and plastic spring clothes-pins with a dutiable value not over US\$2.10 per gross that are provided for under TSUS item 790.05. Not affected by the remedy are clothes-pins valued over US\$2.10 per gross and non-spring clothes-pins. The recommended quota on wood and plastic spring clothes-pins would last five years and would be administered on a yearly basis.

The quota amount for each of the five-yearly quota periods would be established at 3,200,000 gross and would be allocated as follows:

<u>Category</u>	<u>Yearly quota allocation</u>
Valued not over 80 cents per gross	200,000 gross
Valued over 80 cents per gross but not over US\$1.35 per gross	400,000 gross
Valued over US\$1.35 per gross but not over US\$1.70 per gross	600,000 gross
Valued over US\$1.70 per gross but not over US\$2.10 per gross	2,000,000 gross
TOTAL	3,200,000 gross

The Commission's report shows that total imports of clothes-pins have increased from 2.1 million gross in 1973 to 3.5 million gross in 1977, or by more than 60 per cent. The ratio of imports to domestic production increased from 40 per cent in 1973 to 80 per cent in 1977.

The Commission found the following evidence of serious injury to the United States industry:

(a) Significant idling of productive facilities in the industry: the domestic industry experienced an extremely low rate of capacity utilization. The level of utilization of maximum production capacity of all clothes-pins fell from 43 per cent in 1973 to 31 per cent in 1977; during January-June 1978, the level of capacity utilization remained at 35 per cent. Furthermore, capacity utilization for wood spring clothes-pins, the staple of the industry, declined from 54 per cent in 1973 to 38 per cent in 1977, and remained at 41 per cent during January-June 1978.

(b) Inability to operate at a reasonable level of profit: except for 1975, when the sale of lower cost inventory accumulated during a period of wage and price controls was primarily responsible for net profits of US\$651,000 the industry has been unable to operate at reasonable levels of profit during the 1973-1978 period. The ratio of net operating profit to net sales dropped from 8.7 per cent in 1975 to 0.6 per cent in 1977. Furthermore, in January-June 1978, the industry reported a net loss of US\$330,000 or four times more than the aggregate net loss reported during January-June 1977. In addition, during January-June 1978, only two of the four reporting firms (which account for 80 per cent of industry capacity), reported any profit, and the profit reported by one of the two profitable firms was marginal.

(c) Decline in sales: since price is a significant factor in the sale of clothes-pins, particularly to mass merchandisers, the severe underselling of the domestically produced clothes-pins by imported clothes-pins has resulted in lost sales to the domestic industry. The Commission's investigation revealed twenty-one instances of lost sales directly attributable to imports.

(d) Downward trend in production: United States production of all clothes-pins dropped from 5.3 million gross in 1973 to 4.3 million gross in 1977, or by 19 per cent. United States producers' shipments also declined, falling from 5.4 million gross in 1973 to 4.1 million gross in 1977, or 23 per cent.

The following statistics present United States imports of clothes-pins (TSUS item 790.05) in 1975-1977.

<u>Source</u>	<u>Quantity (1,000 gross)</u>		
	<u>1975</u>	<u>1976</u>	<u>1977</u>
China	26	539	835
Taiwan	342	743	828
Poland	433	459	506
West Germany	451	465	306
Romania	216	383	302
Netherlands	168	221	152
All other countries	705	348	169
Total	2,341	3,158	3,098

<u>Source</u>	<u>Value (\$'000)</u>		
	<u>1975</u>	<u>1976</u>	<u>1977</u>
China	20	276	580
Taiwan	249	560	707
Poland	413	428	513
West Germany	439	429	338
Romania	170	291	238
Netherlands	226	250	226
All other countries	740	521	231
Total	2,257	2,755	2,833

The current Column 1 import duty of 10 cents per gross on item 790.05 was bound in the Kennedy Round. Denmark also negotiated a concession on this item in Schedule XX at 20 cents per gross.

Additional details are presented in the report of the Commission to the President, USITC Publication 933, dated December 1978.

Under Section 202 of the Trade Act of 1974, the President has sixty days following the receipt of a recommendation from the USITC for the provision of import relief to determine what method and amount of import relief he will provide or to determine that the provision of such relief is not in the national economic interest of the United States. The Act further provides for a Congressional over-ride of a Presidential decision at variance from the USITC recommendation.

The United States is ready to consult with the CONTRACTING PARTIES and with those contracting parties having a substantial interest as exporters of spring type clothes-pins to the United States in respect of the proposed action.

