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RESTRICTED

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GERMAN IMPORT RESTRICTIONS ON CERTAIN
NON-AGRICULTURAL PRODUCTS

Requests for Concurrence under the Decision of 5 March 1955

With reference to the statement made by Dr. Klein at the plenary meeting of the CONTRACTING PARTIES on 5 November 1955, the delegation of the Federal Republic of Germany has, by letter dated 6 November 1958, transmitted the attached requests for concurrence under the Decision of 5 March 1955 establishing the "hard core" waiver.

The communication from the German delegation states that in respect of the products concerned the Federal Government considers that, for particular reasons, the possibility of import control must be maintained for a certain period of time.

(iv) The size and allocation of quotas:

May be gathered from the data furnished on imports in para 7.

(v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist:

Invitation of tenders under the global quota is published by the Interministerial Import Committee.

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form:

Phosphorous and its compounds obtained from phosphorous as a source material (phosphoric acid and phosphates) are not yet liberalized in respect of the dollar area because the products of the German phosphorous industry cannot yet compete with products of the same kind made in USA.

The German phosphorous industry could start its development only with delay, in July 1951, after the allied prohibition of establishment and production had been lifted. In this connexion, no old plants were available, the only German pre-war plant being located in the Soviet Zone. The first phosphorous oven could start operation on 1 March 1953.

The difference in size existing between the American and German phosphorous industries is shown by the following comparison of capacities (in thousands of tons):

	<u>USA</u>	<u>Federal Republic</u>
phosphorous	350	35
phosphoric acid	1,700	100
phosphates	750	100

Apart from this difference in size, the American phosphorous producers are able to work at much more favourable prices. Their production plants are located right near the crude phosphate deposits. This fact relieves them from the price raising effect of freight costs for the crude phosphate which contains only 13 or 14 per cent of phosphorous, the balance constituting useless ballast.

Moreover, the American producers are able to work at a much lower cost of electric power, its level being only between 1/2 and 1/3 of the German power price. The share held by the power cost in the cost price of phosphorous is about 25 per cent for phosphorous and phosphoric acid, about 16 per cent for phosphates. The cost differentials result, on the whole, in the following price differentials for phosphorous and its compounds (basis 1957):

Product	USA Domestic Price	DM/100 kg Price of imports from USA cif Hbg	Price of German product
Phosphorous	185 to 199 incl. drum	185 to 195 incl. drum	263 to 277 in borrowed casks
Phosphoric acid	79 to 81 i. Carboys 62 in tank wagons	80 to 82 in carboys and casks	160 to 179 in tank wagons or borrowed packing materials
Phosphates (Na-Pyro- and Na- Triphosphate)	75.50 in paper sacks	78 to 80 in paper sacks	99 to 118 in paper sacks

As regards sales, the main outlet available to the German phosphorous industry is limited to the domestic market. Export chances are very small after capacities in France and England have been developed at the same time. The domestic market, however, is still hardly developed, as compared with the USA. This is true especially as regards the utilization of phosphorous products by the industry of washing agents.

As a result, a removal of the import restrictions on phosphorous and phosphorous compounds would entail the consequences indicated in para 9.

6. The date of imposition of the restriction:

Already prior to 1 January 1955 and since that date without interruption.

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years:

See Annex.

8. The period required for the complete removal of the restriction:

Probably five years.

9. The likely effect of the sudden and complete removal of the restrictions:

The USA, owing to its surplus production capacity for phosphorous and phosphorous compounds and to its lower prices, is able to export on a larger scale and, thereby, to jeopardize the sale of German products on the domestic market on which the latter products vitally depend. Such a development might already entail fatal effects on German phosphorous production, if the USA sold on the German market but a low percentage of its very high output. On the other hand, a discontinuance, or even a marked reduction, of the German phosphorous production would cause an uncertainty as to supplies that appears unacceptable for overall economic reasons.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments:

As it is still impossible to estimate the future development of the consumption of phosphorous and its derivatives, no proposals can be made for the time being.

11. Policy for progressive relaxation of the restriction:

Progressive expansion of the global quota.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable. (The reply to this question should deal at least with the principal measures formally open to the contracting party):

The only expedient compatible with the General Agreement which can be taken into consideration would be a protective customs duty. In view of the future level of the external duty having been fixed already among the countries of the European Economic Community, the Federal Republic does not see any possibility to alter the present low level of her customs duties to a point which might even out possible price differentials.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market: amount of market to be assured to these other parties and method of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking:

No other contracting parties are affected.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking:

See para 13.

Moreover, the global quota refers to all countries of the dollar area.

ANNEX: STATISTICS
(Referred to in paragraph 7)

Phosphorous, Phosphoric Acid, Phosphates

	1955	1956	1957
<u>(a) Phosphorous (in tons of P)</u>			
<u>Imports</u>			
United Kingdom	-	313	-
France	4	62	-
Peoplo's Rep. of China	-	-	1
Canada	261	505	-
USA	-	<u>1,699</u>	<u>361</u>
	265	2,579 ¹	362
<u>Exports</u>	707	230	1,055
<u>Domestic Production</u>	8,700	11,600	20,800
<u>(b) Phosphoric Acid (in tons of P₂O₅)</u>			
<u>Imports</u>			
France	10	145	25
USA	175	120	122
Others	<u>1</u>	<u>3</u>	<u>1</u>
	186	268	148
<u>Exports</u>	853	1,305	2,864
<u>Domestic Production</u>	30,264	40,612	55,989
<u>(c) Phosphates (in tons of products)²</u>			
<u>Imports</u>			
Belgium	7,140	8,195	12,836
Notherlands	123	447	85
United Kingdom	1	20	120
USA	246	1,165	780
Others	<u>2</u>	<u>14</u>	<u>31</u>
	7,512	9,841	13,852
<u>Exports</u>	7,423	8,768	15,682
<u>Domestic Production</u>	61,400	75,500	80,900

¹ Partly imported by the producer himself because, at that time, production was insufficient.

² It is impossible to compare imports and exports with domestic production as regards only the non-liberalized phosphates of sodium and other phosphates (2840 11, 19, 20) because no detailed data are available. The above comparison covers all phosphates of tariff item No. 2840.

II. LITHIUM HYDROXIDE1. Product

Lithium hydroxide

2. Tariff item number (Deutscher Gebrauchs-Zolltarif)

ex 28.23 E

3. Provisions of tariff

(i) Rate of duty:

At present applied: 9 per cent ad valorem,

(ii) Whether duty bound under the General Agreement:

no

(iii) Any special features relating to the administration of the tariff item, such as seasonal rates, tariff quotas, etc:

none

4. Nature of the quantitative import restriction, showing with appropriate detail:

(i) Whether the restriction takes the form of a complete prohibition, a seasonal prohibition, a quota system or a licensing arrangement:

Liberalized in respect of OEEC area and area of partly convertible DM. In respect of dollar area, import licences are granted under a global quota for "chemical products".

(ii) If a seasonal prohibition, the periods during which imports are

- (a) admitted from all supplying countries,
- (b) admitted from some supplying countries only, and
- (c) prohibited entirely or admitted only under special permission:

inapplicable.

(iii) If quotas or import licences are not available for all supplying countries, the basis for establishing quotas and granting licences:

inapplicable.

(iv) The size and allocation of quotas:

May be gathered from the data furnished on imports in para. 7.

(v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist:

Invitation of tenders under the global quota is published by the Interministerial Import Committee.

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form:

Lithium hydroxide is a source material for various lithium compounds utilized in the glass and enamel industries as well as in the production of welding agents and lithium soaps for high-pressure lubricating greases. In the Federal Republic lithium hydroxide is produced by one plant only which manufactures auxiliary materials for the glass and ceramic industries. Its capacity is 600 tons a year. German consumption amounts to about 175 tons a year, the balance being exported.

Lithium hydroxide is not yet liberalized in respect of the dollar area because it cannot compete with American produce for the following reasons:

At present, the American production volume is governed far predominantly by the quantities of the lithium isotope Li 6 required by the Atomic Energy Commission (AEC) for nuclear purposes. For this reason, with financial aid by the government, the capacity was brought to 20,000 tons annually (lithium carbonate) of which only 4,500 tons a year is required for civil purpose. Of the quantity of lithium hydroxide taken over by it, the AEC needs only the Li-6 content (about 7 to 8 per cent of weight). The remaining 93 per cent remains suitable for utilization in the civil sphere without any loss in value, but means an undesirable waste product to the AEC. In order to find at all a buyer for it, the AEC sells the Li-6-free salt to the producers at a price adjusted in each case to the sales price obtainable in the country or abroad.

In addition, the AEC by contract declared its readiness to keep on store, at the producers' disposal, the Li-6-free salt derived by it.

As a result, the American price of lithium hydroxide dropped from 97.5 ¢ per lb. (December 1954) = 9 DM per kg, to 55 ¢ per lb. = about 5 DM per kg. (December 1957). The German price corresponded to the European market price (about 13 DM per kg) until 1956. The French and English prices maintain their level today thanks to the customs duties and quantitative import restrictions administered by those countries. The present German price, however, is only 8 DM per kg. owing to the lower customs duty and the liberal quota system.

6. The date of imposition of the restriction:

Already prior to 1 January 1955 and since that date without interruption.

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years:

<u>Imports in tons</u>		1955	1956	1957
<u>Country of origin:</u>				
	USA	about 15 to 20	15 to 20	15 to 20
<u>Exports</u>	about	300 to 325	300 to 325	300 to 325
<u>Domestic production</u>	about	500	500	500

8. The period required for the complete removal of the restriction:

Probably five years.

9. The likely effect of the sudden and complete removal of the restriction:

If the conditions described in paragraph 5 were allowed to continue, the increased pressure of offers to be expected in case of a liberalization would soon force to discontinue production, especially since the German production has to face competition by the USA on the world market in its endeavours to promote exports.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments:

Owing to the conditions described in paragraph 5, no proposals can be made on this subject.

11. Policy for progressive relaxation of the restriction:

See paragraph 10.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable. (The reply to this question should deal at least with the principal measures formally open to the contracting party):

The only expedient compatible with the General Agreement which can be taken into consideration would be a protective duty. In view of the future level of the external duty having been fixed already among the countries of the European Economic Community, the Federal Republic does not see any possibility to alter the present low level of her customs duties to a point which might even out possible price differentials.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market: amount of market to be assured to these other parties and methods of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking:

No other contracting parties are affected.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking:

See paragraph 13.

Moreover, the global quota refers to all countries of the dollar area.

III. UNWROUGHT ALUMINIUM

1. Product:

Unwrought aluminium

2. Tariff item number (Deutscher Gebrauchs-Zolltarif):

76.01 A - 1, unalloyed

76.01 A - 2, alloyed

3. Provisions of tariff:

(i) Rate of duty: at present
applied 7%

(ii) Whether duty bound under the General Agreement:
no

(iii) Any special features relating to the administration of the
tariff item, such as seasonal rates, tariff quotas, etc.:

Duty-free quota for unalloyed unwrought aluminium
76.01 A1 for the year 1958 in the amount of
40,000 tons;

quota, not subject to time limit, for duty-free
import of 9,500 tons of unwrought aluminium
76.01 A1 and A 2 derived from German alum earth
sent abroad for contract processing.

4. Nature of the quantitative import restriction, showing with appropriate
detail:

(i) Whether the restriction takes the form of a complete
prohibition, a seasonal prohibition, a quota system
or a licensing arrangement:

Subject to quantitative restriction in respect of the
dollar area, individual licensing:

(ii) If a seasonal prohibition, the periods during which
imports are (a) admitted from all supplying countries,
(b) admitted from some supplying countries only,
and
(c) prohibited entirely or admitted only under
special permission

inapplicable

- (iii) If quotas or import licences are not available for all supplying countries, the basis for establishing quotas and granting licences:

inapplicable

- (iv) The size and allocation of quotas:

The level of the import quantities admitted each time depends on the position of supply in the Federal Republic. There is no allocation by countries.

- (v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist:

The Interministerial Import Committee decides on applications for import licences, taking into account the position of requirements (see sub-paragraph (iv)). Long-term delivery contracts are accorded priority.

This method of administration led to the following import figures in recent years:

Imports from	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u> <u>estimate</u>
North America (USA and Canada)	14,461 t	5,710 t ¹	18,614 t	(25,000)

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form:

Aluminium is a young metal finding ever new fields of utilization. The technical problems arising in this connexion cannot be solved without close co-operation between the metal producing and processing industries. A manufacturing industry, therefore, vitally depends on a domestic production basis if it is to stand international competition. In periods of an international metal shortage such as that arising likewise in the aluminium sector during the Korean crisis and last in 1955-56, the urgently needed raw material supply to the highly diversified processing industries is ensured by a domestic aluminium production.

If domestic production, handicapped as regards costs by high power prices, is to be maintained, the expansion of the primary aluminium industry in the European and African zone must be taken into consideration. At present the annual capacity for primary aluminium in those zones amounts to about 750,000 tons. By 1963, it will be increased to about 1,050,000 tons by development of the smelting works capacities in neighbouring countries and Africa. European consumption of primary aluminium is about 820,000 tons in 1958 and is likely to attain 950,000 tons in 1963 if a rate of increase of 3 to 4 per cent annually is taken into account. Thus, in 1963, European and African production as a whole would already exceed the requirements of the European market.

¹ Cause of decline in imports: Shortage of aluminium in Western world.

The limits set to imports from the dollar area must be maintained until a co-ordinated European trade policy will take account of the developments described above. This intention is also reflected by the fact that the establishment of an external customs tariff, in the European Economic Community, is reserved to special negotiations. In the Treaty on the European Economic Community, unwrought aluminium is contained in the list of negotiations (List G).

6. The date of imposition of the restrictions:

Already prior to 1 January 1955 and since that date without interruption.

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years:

Figures on domestic production of primary aluminium, including primary aluminium alloys, are indicated below:

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>estimate</u> <u>1958</u>
Primary aluminium - unalloyed	137,066 t	147,362 t	153,362 t	140,000 t
Primary aluminium - alloyed	22,072 t	20,661 t	22,751 t	23,000 t

Import and export figures for the years 1955, 1956 and 1957 are given in the annex.

8. The period required for the complete removal of the restrictions:

Probably five years.

9. The likely effect of the sudden and complete removal of the restrictions:

The trade policies of the aluminium producing countries would lead to the result that the greater part of the surplus quantities existing already now and, in all probability, increasing year by year will seek a market in the Federal Republic.

Already today only 70 per cent of the smelting works capacities in the United States and Canada is made use of; as a result, an additional aluminium quantity of 500,000 metric tons annually is seeking a market, the capacity available at present being 2.65 million metric tons with a normal rate of utilization of 90 per cent. Besides, an expansion, by 1963, of smelting works capacities in North America by about 800,000 tons has been initiated and is well under way. That expansion by far exceeds the probable rise of consumption in North America.

Therefore, the aluminium industry in Western Germany must reckon with an exceptionally heavy pressure of aluminium imports from North America. In this connexion, the American producers are at a considerable advantage over aluminium producers in the Federal Republic as regards the relation between costs and prices.

Already this year, the German aluminium mills, compelled by the growing pressure of imports, had to curtail production considerably below the 1957 level of 153,800 tons. About 30,000 tons of German smelting works capacity are idle. The maximum limit of about 20,000 tons envisaged for 1958 from the North American zone on the basis of long-term delivery contracts has been exceeded by at least 5,000 tons, as far as the year 1958 can be judged today.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments:

Owing to the impossibility to obtain a clear picture of developments of the world market situation and to foresee as yet the European policies in the field of aluminium, a plan for gradual adaptation cannot be set up at present.

11. Policy for progressive relaxation of the restriction:

The production volume of the German aluminium smelting works will not be expanded considerably in the years to come so that the increase in requirements practically offers a chance for steadily rising imports. These prospects, however, are conditional on the present level of business activities being maintained also in future.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable. (The reply to this question should deal at least with the principal measures formally open in the contracting party):

The only expedient compatible with the General Agreement which can be taken into consideration would be a protective customs duty. In view of the fact that the future level of the external duty for aluminium still constitutes a subject of negotiation among the countries of the European Economic Community and, therefore, is still unknown, the Federal Republic does not see, for the time being, any possibility to alter the present low level of her customs duties to such a point as would be appropriate to even out possible price differentials, if undesirable prejudices to supplying countries are to be avoided.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market; amount of market to be assured to these other parties and method of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking:

A quantitative share increasing year by year in the German aluminium market has already been ensured to North American producers by the method applied hitherto in the issuance of import licences for North American aluminium. The share in the market held by North America is at present about 13 per cent and will rise by 2 to 3 per cent annually if the level of business activities is maintained.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking:

In the view of the Federal Republic, the quota policy pursued in the field of aluminium does not imply any discrimination.

Annex: Statistics
(Referred to in paragraph 7)

A. Primary Aluminium Exports

To country:	1955		1956		1957	
	7601 unal- loyed (in tons)	7601 alloyed (in tons)	7601 unal- loyed (in tons)	7601 alloyed (in tons)	7601 unal- loyed (in tons)	7601 alloyed (in tons)
Belgium	30	-	22	4	462	58
Bulgaria	-	9	-	46	-	-
France	-	1	140	2	1	-
Italy	-	270	16	500	50	584
Netherlands	1	17	-	50	3	302
Austria	-	38	-	37	-	6
Portugal	-	10	-	7	32	14
Sweden	-	1	3	100	77	53
Switzerland	90	-	171	67	2,350	76
Spain	-	10	-	-	-	30
Israel	3	-	-	-	-	-
Belg. Congo	-	4	-	-	3	-
Pakistan	-	2	-	2	-	-
USA	-	87	-	3	671	500
Chile	12	30	165	4	20	5
Argentina	1	-	-	-	1	-
Saar	-	-	52	12	-	11
Creece	-	-	1	-	-	1
Angola	-	-	3	-	12	-
Brazil	-	-	34	-	365	5
Australia	-	-	2	-	1	-
Finland	-	-	-	2	-	2
Norway	-	-	-	2	-	10
Indonesia	-	-	-	-	-	111
Rumania	-	-	-	-	-	130
Denmark	-	-	-	-	55	3
Japan	-	-	-	20	-	-
United Kingdom	-	-	-	-	1,036	-
Iran	-	-	-	-	1	1
Hungary	-	-	-	-	-	5
	137	479	609	858	5,140	1,907

B. Primary Aluminium Imports

Supplying country:	1955		1956		1957	
	7601 unalloyed (in tons)	7602 alloyed (in tons)	7601 unalloyed (in tons)	7602 alloyed (in tons)	7601 unalloyed (in tons)	7602 alloyed (in tons)
Belgium	55	126	140	24	52	-
Denmark	-	30	15	-	-	-
Finland	-	15	-	-	-	-
France	348	480	-	10	720	-
Saar	-	40	-	-	-	-
United Kingdom	676	223	301	41	472	23
Italy	1,658	-	401	-	-	-
Netherlands	619	379	221	73	75	86
Norway	4,546	15	8,395	10	6,424	-
Austria	12,023	1,934	12,322	1,523	8,947	1,240
Poland	449	-	572	-	-	-
Sweden	-	21	256	-	88	-
Switzerland	910	141	693	11	1,128	-
Czechoslovakia	899	321	1,361	469	203	93
Hungary	392	-	588	294	-	-
USSR	1,657	-	5,323	-	1,793	-
Union of South Africa	39	36	-	3	-	-
Formosa	790	-	250	-	100	-
Japan	483	-	-	-	-	-
USA	4,668	121	2,259	7	623	9
Canada	9,669	3	3,444	-	17,981	1
Australia	-	24	170	-	-	-
New Zealand	-	4	-	-	-	-
Yugoslavia	-	-	-	-	575	-
	39,881	3,913	36,711	2,465	39,181	1,452

IV. SILICON CARBIDE

1. Product

Silicon carbide

2. Tariff item number (Deutscher Gebrauchs-Zolltarif)

28.55 A

3. Provisions of tariff:

(i) Rate of duty;

At present applied: 12 per cent.

(ii) Whether duty bound under the General Agreement;
15 per cent.

(iii) Any special features relating to the administration of the
tariff item, such as seasonal rates, tariff quotas, etc.
none

4. Nature of the quantitative import restriction, showing with appropriate
detail:

(i) Whether the restriction takes the form of a complete
prohibition, a seasonal prohibition, a quota system or
a licensing arrangement;

Liberalized in respect of OEEC area and the area of partly
convertible DM. In respect of the dollar area, import
licences are granted under a global quota for "chemical
products".

(ii) If a seasonal prohibition, the periods during which imports
are

- (a) admitted from all supplying countries,
- (b) admitted from some supplying countries only, and
- (c) prohibited entirely or admitted only under special
permission;

Inapplicable.

(iii) If quotas or import licences are not available for all
supplying countries, the basis for establishing quotas and
granting licences;

Inapplicable.

(iv) The size and allocation of quotas;

May be gathered from the data on imports in para. 7.

(v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist;

Invitation of tenders under the global quota is published by the Interministerial Import Committee.

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form:

Silicon carbide (SiC) is of considerable importance for an industrialized country like the Federal Republic as a preliminary product for the manufacture of abrasives. In their effort to become independent of the European market, other industrial countries expanded their production and thereby even intensified competition on the world market.

The German SiC industry is at a disadvantage, if compared with that of the USA, for the following reasons:

- (a) The American SiC producers are able to work at a considerably lower cost of electric power, its level being only between 1/3 and 1/3 of the German power price. The share held by the cost of electric power in the cost price of SiC is about 35 per cent.
- (b) In the USA the price of 1,000 kg. of petroleum coke is \$10 to \$13 (42-55 DM), whereas in the Federal Republic 160 DM has to be spent for the same quantity. The share held in the cost of the finished product by petroleum coke is about 30 per cent.
- (c) After the end of the war, the German silicon production was deprived of the plant of Mückenberg/Niederlausitz and of the quartz sand mines near Hohenbocka/Niederlausitz which are important for raw material supplies (both plants located in the Soviet Zone). In order to ensure supplies of silicon carbide in the Federal Republic, moreover, a further plant had to be established after the war in addition to the one that had remained available in the Federal Republic.
- (d) The production capacity available to the USA and Canada, amounting to 120,000 tons annually, is between seven and eight times that of the Federal Republic and thus guarantees a correspondingly higher profitability.

As a result, price differentials are as follows:

	<u>DM/100 kg.</u>
Domestic price in USA	about 65.-
Import price of US goods cif Hamburg including customs duty and turnover equalization tax	about 90.-
Price of comparable Western German commodities ex works (in lumps)	125.-

Note:

SiC prices vary in accordance with qualities. Thus, dressed goods in the Federal Republic cost between 160 and 450 DM, varying in accordance with granulation (e.g. 200 to 220 DM for medium granulation green). It is therefore impossible to indicate the comparable US prices for each quality. For this reason the above price comparison is limited to the comparable quality of SiC in lumps which is low priced. In the case of better qualities the differences between US and German goods are by far greater.

Apart from its more favourable pricing, the American SiC industry enjoys, in its competition with the German industry, the additional significant advantage of SiC being processed - either by its own plants or by subsidiary companies, which exist also in Europe - up to the final stage, i.e. up to the production of grinding wheels, abrasive papers and fabrics. This fact to a large extent made the world market inaccessible to the German SiC industry, which as such has a considerable production capacity today, and forced it to depend in the first line on the domestic market. Furthermore, the production capacity of the German SiC industry is utilized at present at a rate of 70 to 75 per cent only, which fact impairs its cost position additionally.

6. The date of imposition of the restriction:

Already prior to 1 January 1955 and since that date without interruption.

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years:

See Annex.

8. The period required for the complete removal of the restriction:

Probably five years.

9. The likely effect of the sudden and complete removal of the restriction:

The American SiC industry, which hitherto supplied SiC to the Federal Republic to a limited extent only, due to the favourable market situation in the USA, would be in a position at any time, subject to appropriate preliminary conditions being fulfilled, to export SiC in large quantities to the Federal Republic and thereby to jeopardize the sale of German products in the German market on which these depend. The trend towards such a development is especially strong since 40 per cent of the German industry of abrasives is in American hands.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments:

Owing to the circumstances described in paragraph 5, no proposals can be made on this subject.

11. Policy for progressive relaxation of the restriction:

Progressive expansion of the global quota.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable. (The reply to this question should deal at least with the principal measures formally open to the contracting party):

The only expedient compatible with the General Agreement which can be taken into consideration would be a protective customs duty. In view of the future level of the external duty having been fixed already among the countries of the European Economic Community, the Federal Republic does not see any possibility to alter the present low level of her customs duties to a point which might even out possible price differentials.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market: amount of market to be assured to these other parties and method of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking:

No other contracting parties are affected.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking:

See paragraph 13.

Moreover, the global quota refers to all countries of the dollar area.

ANNEX: STATISTICS
(Referred to in paragraph 7)

Silicon Carbide

(in tons)

	1955	1956	1957
<u>Imports from</u>			
Norway	553	635	786
Sweden	190	273	154
Switzerland	109	48	44
United States	222	131	100
Others (small shipments)	17	20	4
	<u>1,091</u>	<u>1,107</u>	<u>1,088</u>
<u>Exports</u>	2,697	2,860	3,526
<u>Domestic production</u>	about 10,000	12,000	14,000

V. SYNTHETIC RUBBER

1. Product

Synthetic rubber

2. Tariff item number (Deutscher Gebrauchs-Zolltarif)

40.02 A

3. Provisions of tariff

(i) Rate of duty:

free

(ii) Whether duty bound under the General Agreement:

no

(iii) Any special features relating to the administration of the tariff item, such as seasonal rates, tariff quotas, etc.:

inapplicable

4. Nature of the quantitative import restriction, showing with appropriate detail

(i) Whether the restriction takes the form of a complete prohibition, a seasonal prohibition, a quota system or a licensing arrangement:

liberalized in respect of OEEC, for countries of the area of partly convertible DM and of the dollar area import licenses are granted in the amounts applied for.

(ii) If a seasonal prohibition, the periods during which imports are

(a) admitted from all supplying countries,

(b) admitted from some supplying countries only, and

(c) prohibited entirely or admitted only under special permission:

inapplicable

- (iii) If quotas or import licences are not available for all supplying countries, the basis for establishing quotas and granting licences!

inapplicable

- (iv) The size and allocation of quotas:

may be gathered from the data on imports in paragraph 7.

- (v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist:

the Interministerial Import Committee decides on applications for import licences, taking into account the situation of requirements (see paragraph 4).

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form

After dismantlings and prohibitions of production, the production of synthetic rubber was initiated in 1951 in spite of serious difficulties at a level of about 6,000 tons a year. Although production could be raised to about 12,000 tons annually by 1957, the production process had meanwhile become obsolete if compared with developments in other countries. In the middle of 1958, a plant meeting modern technical requirements (production of cold rubber) was completed and started operation with a maximum capacity of, at present, about 45,000 tons a year.

The German producers so far work under much less favourable conditions than corresponding enterprises in the United States and Canada.

This is due to the following reasons:

- (1) The American production plants were developed and supported by the Government during the war. When being transferred to private owners, they were sold at prices far below the expenditures actually incurred for their establishment. On the contrary, the German plants were established exclusively on a basis of private enterprise without any State aid.
- (2) A natural basis of raw materials for the preliminary products butadiene and styrene is available to the United States in its natural gas and mineral oil deposits. The cost price of such products is by about 25 per cent higher in the Federal Republic than in the United States.

(3) Today the United States produces 1,118,000 tons of synthetic rubber annually; Canada 132,000 tons a year. The higher profitability resulting from such production volumes constitutes another advantage in competition.

6. The date of imposition of the restriction

Already prior to 1 January 1955 and since that date without interruption in the form described in paragraph 4(1).

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years

(in thousand tons and million DM)

	<u>Production</u>	<u>Imports</u> *		<u>Exports</u>	
	Volume	Volume	Value	Volume	Value
1955	11.0	20.7	59.0	0.2	1.3
1956	10.9	26.8	74.0	0.6	2.5
1957	11.7	39.7	107.8	1.6	6.2
1958 first half	7.4	20.8	54.2	1.2	4.3

* Almost 100 per cent from the United States and Canada.

8. The period required for the complete removal of the restriction

Five years. In case German production should obtain prices covering its cost at an earlier time already, it is intended to reduce that period.

9. The likely effect of the sudden and complete removal of the restriction

As was shown in paragraph 4, the import restrictions have been administered hitherto only in the form of an import control. Such a control must be maintained in the near future for the following reasons:

The high investments made without State aid must be redeemed through the price. For the reasons stated in paragraph 5, this aim cannot be achieved in the competition with the United States and Canada unless on certain conditions and by rationalized utilization of plants. Therefore, during the initial period, the interest of the German processing firms in a ready market for the German production of synthetic rubber must be aroused. For this purpose, an internal arrangement has been reached between all firms processing

synthetic rubber and all producers to the effect that the processing firms undertake for a period of five years to pay a compensation of up to DM 10 million annually through a trustee in case the German production of synthetic rubber does not obtain prices covering its costs. However, that arrangement can only be implemented if there is a guarantee that it will not be violated by individual plants.

Such violation would have to be feared if the control of imports were lifted prematurely.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments

The procedure described in paragraph 9 implies a systematic adjustment to the conditions of competition prevailing on the world market.

11. Policy for progressive relaxation of the restriction

The present system already constitutes the last phase immediately preceding final liberalization and practically does not restrict imports at present as regards quantity.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable (the reply to this question should deal at least with the principal measures formally open to the contracting party)

As the system applied is not designed to restrict but only to control imports, the fixing of a duty rate would not be an appropriate expedient, especially since it would entail a rise in raw material prices undesirable to the firms processing synthetic rubber which continue to depend on imports of specific sorts.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market: amount of market to be assured to these other parties and method of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking

The system applied by the Federal Republic guarantees adequate shares in the market to suppliers. In accordance with developments in the field of rubber processing, the rate of admixture of synthetic rubber is steadily increasing (in the United States the rate of admixture is at present about 60 per cent of artificial rubber, in the Federal Republic it is at present still about 26 per cent). Therefore, large imports will be necessary also in future even if German production is increased considerably.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking

The import control as applied hitherto had no discriminatory effects on any contracting party.

VI. NEAT LEATHER

1. Product:

Neat leather

2. Tariff item number (Deutscher Gebrauchs-Zolltarif):

ex 41.02 B

3. Provisions of tariff:

(i) Rate of duty:

(applied at present)

41.02 B 1 (a)	neat leather	=	4% a.v.
1 (b)	undressed	=	3% a.v.
41.02 B 2	neat leather, dressed	=	10% a.v.

(ii) Whether duty bound under the General Agreement:

41.02 B 1 (a)	bound at	5% a.v.
1 (b)	bound at	3% a.v.
41.02 B 2	bound at	12% a.v.

(iii) Any special features relating to the administration of the tariff item, such as seasonal rates, tariff quotas, etc.:
none.

4. Nature of the quantitative import restriction, showing with appropriate detail:

(i) Whether the restriction takes the form of a complete prohibition, a seasonal prohibition, a quota system or a licensing arrangement:

Liberalized in respect of OEEC area. For imports from all countries of the area of partly convertible DM and of the dollar area uniform global quotas are made available.

(ii) If a seasonal prohibition, the periods during which imports are (a) admitted from all supplying countries, (b) admitted from some supplying countries only, and (c) prohibited entirely or admitted only under special permission

inapplicable

- (iii) If quotas or import licences are not available for all supplying countries, the basis for establishing quotas and granting licences:

inapplicable

- (iv) The size and allocation of quotas:

The global quota amounts to 2 million DM per six months.

- (v) Method of determining and administering quotas or licences, including the rôle of any advisory or other committees that may exist:

Invitation of tenders under the global quota is published by the Interministerial Import Committee.

5. The reasons why it is considered necessary to maintain the restriction and the considerations that cause the restriction to take its particular form:

The leather-producing industry ranges last of all German branches of industry in the order of production indices. Its production index (1936 = 100) was:

75 in 1952
78 in 1954
95 in 1957

and is likely in 1958 to remain far below the record level of 1957. Although the number of enterprises declined from 428 in 1949 to 317 in 1957, the rate of capacity utilization is still unfavourable and the position of proceeds entirely unsatisfactory. (Index of 1957 producer prices for leather = 83, on basis 1950 = 100.) This is mainly due to the loss of the market in Central Germany and the Eastern bloc countries. The fact that the "per capita consumption" of leather remains below the pre-war level likewise plays a certain rôle in this connexion. For this reason, it was impossible in this sector to compensate for war damages and rationalize production in the same manner as in other industries which profited to a larger extent by the rapid reconstruction. Furthermore, fluctuations of the raw-hide prices on the world market caused losses in substance and hampered adjustments in past years. Nevertheless, the quantitative import restrictions were removed in respect of the OEEC countries at an early date already, thus opening the German market to countries with a comparable production standard. But the quantitative restrictions were likewise progressively dismantled in respect of the parties in the area of partly convertible DM and the dollar area.

Only for some products of the neat leather sector the quota system is intended to be maintained in the near future because of the difference of competitive conditions existing as compared with the United States.

In this field the difficulties of the German leather industry mentioned at the outset had an especially lasting effect (the leather sole lost ground in favour of rubber and crape, heavy leather footwear was replaced by rubber boots, leather for furniture and motor cars was replaced by substitute materials, the utilization of neat leather uppers receded). Moreover, the supply of raw materials depends for 50 per cent on imports.

6. The date of imposition of the restriction:

Already prior to 1 January 1955 and since that date without interruption.

7. Statistics of imports (by sources of supply), exports and national production during each of the last three years:

Production (in 1,000 DM)	<u>1955</u>	<u>1956</u>	<u>1957</u>
	447,006	463,885	528,706

For data on imports and exports see Annex.

8. The period required for the complete removal of the restriction:

Probably five years.

9. The likely effect of the sudden and complete removal of the restriction:

For a large-scale producer such as the leather-producing industry of the United States with a particularly favourable raw material basis in the neat leather sector (100 per cent), with a higher rate of productivity owing to most up-to-date installations (output per man/hour in the United States from 32 to 40 sq.ft., in the Federal Republic of Germany from 18 to 24 sq.ft.), better endowed with capital and with ten to twelve times the German production capacity, a market of the size of the Federal Republic would only become attractive if the preliminary conditions required for continuous and regular supplies to that market were complied with by a removal of quantitative restrictions, all the more since no other European country with a noteworthy leather consumption has liberalized its leather imports from the dollar area. Not only special leather but, in particular, likewise leather of poorer qualities playing a big part in the field of neat leather must be expected to be imported in large quantities (e.g. clearance sales of all kinds which are not based on a proper price calculation), seriously jeopardizing the existence of the leather factories in the Federal Republic of Germany the owners of which belong mainly to the middle classes.

10. Methods of adjustment to enable such effect to be avoided and prospective time-table for such adjustments:

The leather industry is endeavouring to improve its productivity by way of rationalization. As it is impossible to obtain a clear picture of developments of the world market situation as to both raw hides and leather, no detailed scheme can be set up.

11. Policy for progressive relaxation of the restriction:

Progressive expansion of the global quota.

12. Alternative measures compatible with the General Agreement and reasons why resort to them is considered impracticable. (The reply to this question should deal at least with the principal measures formally open to the contracting party):

A raised customs duty would not produce the desired effect because the duties on leather, owing to existing commitments and to the arrangement on the external tariff stipulated in the Treaty on the European Economic Community (List C), would not be fixed at such a level as would provide sufficient protection in the present situation.

13. Undertaking to grant other contracting parties a fair and reasonable share of the market: amount of market to be assured to these other parties and method of determining amount; method whereby administration of the restrictions will be adjusted if necessary to comply with this undertaking:

The global quota to be expanded progressively will be open equally to all countries of the area of partly convertible DM and of the dollar area and enable them to secure gradually a share of the market corresponding to their export capacity.

14. Undertaking of non-discrimination: method whereby administration of the restriction will be adjusted if necessary to comply with this undertaking:

See paragraph 13.

ANNEX: STATISTICS
(Referred to in paragraph 7)

Neat Leather

(in 1,000 DM)

	1955	1956	1957
<hr/>			
1. <u>Imports</u>			
Total:	9,851	12,264	17,949
thereof from:			
Benelux	2,225	4,132	4,632
Denmark	362	817	519
France	3,472	2,867	2,580
United Kingdom	1,070	1,070	1,827
Italy	161	703	2,445
Austria	156	236	525
Sweden	-	26	155
Switzerland	1,976	2,088	3,387
India	58	27	92
Yugoslavia	11	-	54
Hungary	-	60	39
United States	75	151	859
Argentina	24	42	587
Uruguay	-	-	160
other countries	261	45	88
2. <u>Exports</u>			
Total:	24,439	31,155	40,372
