

GATT/AIR/529(SECRET)

No. 108
21 January 1966SUBJECT: SCHEDULE I - AUSTRALIA - REQUEST FOR AUTHORITY TO RENEGOTIATE
UNDER ARTICLE XXVIII:4 (GLASSWARE AND MOTOR VEHICLES)THE FOLLOWING COMMUNICATION, DATED 19 JANUARY 1966, HAS BEEN RECEIVED FROM
THE AUSTRALIAN DELEGATION.

C O P Y

The Australian Government requests authority under Article XXVIII paragraph 4 to negotiate the withdrawal of the following concessions appearing in Part 1 of Schedule I.

Australian Tariff

<u>Item Number</u>	<u>Description of Products</u>	<u>Rate of Duty</u>
250(B)	Articles of cut glass, including bottles, decanters, flasks and jars of cut glass empty or containing goods not subject to an ad valorem duty and lamps and lampware of cut glass, but not including articles of etched or engraved glass, viz: (1) butter knives; cruet sets; cruet trays; jam spoons; mustards; oil bottles the capacity of which does not exceed four fluid ounces; pepper shakers; salt shakers; serviette rings; sugar shakers; vinegar decanters the capacity of which does not exceed four fluid ounces - ad valorem (2) other - ad valorem	17½% 45%
250(C)(2)	Glassware n.e.i. - ad valorem	35%

For the purposes of item 250(b) the term "cut glass" is defined as covering glassware in which any of the cut patterns or designs have been subjected to any process designed to produce a polished finish.

SENT BY : Director-General, GATT, Tel. address : GATT GENEVA

ENVOYÉ PAR : Directeur général, GATT, Adresse télégraphique : GATT GENEVE

Australian Tariff

<u>Item Number</u>	<u>Description of Products</u>	<u>Rate of Duty</u>
250 (E)	Heat resisting glassware for cooking purposes - ad valorem	40%
360(D)	Vehicles n.e.i. with self-contained power, including assembled incomplete vehicles n.e.i. with self-contained power, which the Minister directs shall be deemed to be complete	
(2)	Other - ad valorem	35%

GATT document L/2220 of 21 May 1964 advised CONTRACTING PARTIES that Australia was invoking the provisions of Article XIX of GATT to impose additional temporary duties on imports of heat resisting glassware for cooking purposes, designed for use in the oven and having an f.o.b. value of 12/6d. Australian currency or more per dozen. It was advised at the time that the question of long-term protection for local producers had been referred to the Tariff Board on 16 April 1964.

The present application follows receipt of reports of the Tariff Board which conducted comprehensive enquiries into the Australian domestic glassware and motor vehicle industries. The motor vehicle enquiry covered both the production of complete vehicles and the manufacture of certain components for use as original equipment in such vehicles.

The Tariff Board recommended:

A. Glassware

- (i) The long-term level of protection necessary for heat resisting glassware;
- (ii) The level of protection necessary for other glassware classifiable under the items listed above.

B. Motor vehicles

- (i) The rate of duty on "completely built up" motor cars and their derivatives be increased to a higher rate than at present bound, if imports of assembled new motor cars (including station wagons) averaged over the twenty-four months ending 30 June 1966 or a twenty-four months' period to the end of the subsequent month exceeds 7.5 per cent of the registrations of new motor cars and station wagons in Australia averaged over the same twenty-four month period.

Glassware

The Board, as a result of the enquiry, concluded that heat-resisting glassware needed to be protected at a higher rate than that bound under item 250(E) and that some of the table, kitchen and like glassware formerly classifiable under items 250(B)(1) and 250(B)(2) and 250(C)(2) and now falling to be classified under item 70.13 (Brussels nomenclature) needed to be protected at rates higher than those bound in the Australian schedule.

The Board arrived at its conclusion in the light of the following considerations:

- (a) the industry, taking account of investment, employment, production and marketing activities, was worthy of protection;
- (b) the goods in question were an important sector of the industry's production;
- (c) the industry was experiencing serious competition from imports;
- (d) increased assistance would be given the industry to enable it to capture a greater share of the local market and increase its throughput to economic levels.

It is to be noted that the duties on heat-resisting glassware were bound in 1951, and that the duties on the other glassware involved in this application have been bound since 1947. The present report is the first report that the Board has issued on the domestic glassware industry in the post-war period, although the industry has been operating for over five years without any of the incidental protection it enjoyed under import licensing.

The commitments under 250(B)(1) and 250(B)(2) were initially negotiated with Czechoslovakia, who is also the principal supplier. The commitments under items 250(C)(2) and 250(E) (under each of which the United States is the principal supplier) were initially negotiated with Benelux and West Germany respectively.

Heat-resisting glassware

Under the Australian customs tariff currently operating goods covered by the above concession under item 250(E) appear as:

	<u>General</u>	<u>Preferential</u>
70.13.1 Heat resisting glassware for <u>cooking purposes</u>		
70.13.110 Ovenware having an f.o.b. price of 12/6d. per dozen units or more	40% and temporary duty of 1/6d. in respect of each separate piece of glassware contained in the goods.	12 $\frac{1}{2}$ %
70.13.190 Other	40%	12 $\frac{1}{2}$ %

Although the long-term protection recommended for heat-resisting glassware is lower than the temporary protections shown above, it is in excess of the rate bound. Clearances for home consumption on heat-resisting glassware for cooking purposes have run as follows:

<u>Year</u>	<u>Tariff item</u>	<u>UK</u>	<u>France</u>	<u>Germany</u>	<u>US</u>	<u>Total</u>
(Amounts in thousands of pounds)						
1961/2	250(E)	23.9	2.5	1.2	126.4	154.0
1962/3	250(E)	11.8	0.8	1.3	167.4	181.4
1963/4	250(E)	3.9	3.4	1.5	202.9	212.7
	250(E) (1)	0.3	0.8	-	7.5	8.6
	250(E) (2)	0.1	-	-	1.4	1.5
1964/5	250(E) (1)	4.9	4.0	1.1	67.5	77.9
	250(E) (2)	0.6	3.9	0.7	29.1	34.3
		5.5	7.9	1.8	96.6	112.2
4 months	70.13.110	5.0	0.9	0.3	15.00	21.2
to						
31.10.65	70.13.190	0.2	0.4	0.1	9.5	10.4
		5.2	1.3	0.4	24.5	31.6

As the additional temporary duties were imposed on heat-resisting ovenware on 14 May 1964, it would be equitable to regard the three-years period to 30 June 1964 as the representative trade period for the purposes of calculating damage.

However, as the following figures show, the position changes very little if the three years to 30 June 1965 are taken instead.

Clearances of Heat-Resisting Glassware

3 years to 30.6.64

France	2.5
Germany	1.3
US	168

3 years to 30.6.65

France	4.3
Germany	1.5
US	159

Other table, etc. glassware

The situation with regard to other table, kitchen and like glassware previously classifiable under 250(B)(1), 250(B)(2) and 250(C)(2), however, is not so clear cut. On occasions the duty recommended by the Board is higher and on occasions lower than the level of duty bound, depending on the unit values for duties and the operation of the fixed rate element in the recommended duties.

Clearances under these items have run as follows:

Clearances for Home Consumption - Pounds A'000

	<u>1962/3</u>	<u>1963/4</u>	<u>1964/5</u>	<u>Av. 3 years</u>
250(B)(1)				
United Kingdom	0.6	0.7	0.7	0.7
Czechoslovakia	3.3	2.9	2.9	3.0
Japan	0.6	0.6	0.5	0.6
Other	0.4	0.6	0.4	0.4
Total	4.9	4.8	4.5	4.7
250(B)(2)				
United Kingdom	52.7	43.4	79.2	58.4
Czechoslovakia	227.0	256.8	231.6	238.5
European Economic Community	59.3	38.7	52.7	50.2
Japan	3.0	1.9	15.5	6.8
Poland	11.0	8.0	34.0	17.7
East Germany	7.0	11.6	-	6.2
Other	7.0	55.2	26.7	13.0
Total	367.0	356.6	439.7	390.8
250(C)(2)				
United Kingdom	78.2	84.4	122.5	94.4
Czechoslovakia	39.0	40.1	54.1	44.4
Japan	60.5	57.3	48.1	55.1
Sweden	26.8	36.2	32.1	31.3
United States	81.1	137.0	89.2	102.4
European Economic Community	42.2	44.2	39.2	41.9
Other	22.4	17.4	28.5	24.0
Total	350.2	416.6	413.7	393.5

European Economic Community figures are shown in aggregate for convenience only, and do not denote any obligation to the EEC as a unit.

On the basis of the figures for the four months to the end of October 1965, the trade in glassware (other than heat-resistant glassware) of the types considered by the Board, totalled pounds 1.23 million, of which pounds .35 million was in bound items and 0.88 million in unbound items. Of the trade in bound items (£.35 million), 0.05 million will attract duties lower than those bound and £.30 million will be subject to duties that may or may not be higher than the bound duties depending upon quality and price (VFD). Of the trade in unbound items (£.88 million) £.31 million will attract duties lower than those currently operative and £.57 million will attract duties that may be higher or lower than current rates, depending on quality and price (VFD). Over the whole trade of £1.23 million there will be duty increases on some part of £.87 million which will be offset to an extent by two duty decreases in the same area and by the certain duty decreases in £.36 million. The tariff structure flowing from the Board's recommendations will therefore carry considerable internal benefits (i.e. reductions offsetting duty increases). The incidence of the internal benefit under the tariff structure needed to implement the Board's recommendations will vary according to the individual countries but the Australian Government is ready to negotiate with contracting parties principally concerned, and because of the situation in the glass industry, is most anxious to see this application dealt with promptly.

Motor vehicles

The motor vehicle building industry is a most important element in Australian economy and in fact, has been the subject of special policy measures by various governments since its early days in the time of World War I. This importance springs from the industry as

- requiring an advanced level of manufacturing technique and organization and the development of different kinds of labour skills;
- an outlet for increased capital investment almost all of which (in the vehicle building sector of the industry) has come from overseas sources;
- a market for the many products of automobile component manufactures, themselves a large and important sector of the industry as a whole;
- an outlet for the production of a wide range of raw materials.

The various elements of the Australian motor vehicle industry compete strongly amongst themselves and are supplying a major share of the Australian market. In general profits earned by vehicle builders are moderate - some have incurred losses.

The Board points out Australia's imports of complete vehicles have increased from less than 3 per cent of registrations before 1963, to a level of about 10 per cent by the end of 1964 and despite the general competitive ability of the industry "concern must be felt should the proportion of C.B.U. imports registered in Australia continue to increase for any prolonged period". This concern is underlined by events that have taken place in the industry since compilation of the report.

In the twenty-four months ended July 1965 average monthly level of imports of cars and station wagons had reached 6.64 per cent of average monthly registrations; less than 1 per cent below the figure (7.5 per cent) recommended by the Board as the appropriate one for increase of duties on C.B.U. cars and station wagons. Since then, the trend of increasing imports has continued, as the following figures show:

<u>Month</u> <u>1965</u>	<u>New</u> <u>Reg.</u>	<u>24 months</u> <u>average</u>	<u>Imports</u>	<u>24 months</u> <u>average</u>	<u>Per cent</u>
Aug.	31,749	28,395	2,209	1,945	6.85
Sept.	24,145	28,210	1,770	1,992	7.06
Oct.	22,595	27,900	1,325	2,009	7.20
Nov.	24,686	27,742	1,473	2,029	7.32

It is clear that if this trend continues, the critical figure of 7.50 per cent will be exceeded some months before the end of June 1966. It is also relevant that since August 1965 the Australian industry has suffered a down turn in demand, as shown by monthly registration figures in the foregoing table.

Clearances for home consumption of new motor cars ex tariff item 360(D)(2), stat. item 49011 have run as follows:

	<u>UK</u>	<u>France</u>	<u>Italy</u>	<u>Japan</u>	<u>US</u>	<u>Total</u>
		(Read following in pounds)				
1962/3	2,618	1,518	1,303	1,617	728	8,446
1963/4	2,394	710	1,612	3,471	328	9,896
1964/5	2,611	1,049	1,298	9,509	523	15,563

It is estimated that 50 per cent of import clearances under tariff item 360(D)(2), stat. item 49030, commercial road transport vehicles derived from motor cars.

Clearances for home consumption of commercial vehicles under tariff item 360(D)(2), stat. item 49030:

	<u>UK</u>	<u>France</u>	<u>Italy</u>	<u>Japan</u>	<u>US</u>	<u>Total</u>
1962/3	169	27	3	1,216	55	1,481
1963/4	121	15	163	2,691	23	3,051
1964/5	280	26	139	4,371	21	4,855

Three-year average trade for statistical item 49011 and 50 per cent of statistical item 49030 is as follows:

	(A)		(B)	A + B
S.I. 49011 (100 per cent)		S.I. 49030 (50 per cent)		
		(in thousand pounds)		
UK	2,541	UK	95	2,636
Germany	1,092	Germany	12	1,104
Italy	1,404	Italy	51	1,455
Japan	4,866	Japan	1,380	6,246
US	526	US	17	543
Total	<u>11,302</u>		<u>1,564</u>	<u>12,866</u>

THE REQUEST WILL BE EXAMINED AT THE MEETING OF THE COUNCIL ON 24 JANUARY 1966.

E. WYNDHAM WHITE