

GATT/AIR/55 (SECRET)

18 October 1954

28

SUBJECT: SCHEDULE XX - UNITED STATES
CONSULTATION UNDER ARTICLE XLX

1. THE FOLLOWING COMMUNICATION WAS RECEIVED TODAY FROM THE UNITED STATES GOVERNMENT FOR TRANSMISSION TO THE CONTRACTING PARTIES.
2. ATTENTION IS DRAWN TO THE REQUEST THAT THIS COMMUNICATION BE TREATED AS STRICTLY CONFIDENTIAL:

COMMUNICATION FROM THE UNITED STATES GOVERNMENT
CONCERNING TARIFF ITEM 412

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"THE UNITED STATES TARIFF COMMISSION SUBMITTED TO THE PRESIDENT ON 6 OCTOBER A REPORT OF AN ESCAPE CLAUSE INVESTIGATION WITH RESPECT TO SPRING CLOTHESPINS, TARIFF PARAGRAPH 412. THREE COMMISSIONERS FOUND THAT THERE HAS BEEN INJURY TO THE DOMESTIC INDUSTRY AND RECOMMENDED, FOR AN INDEFINITE PERIOD, A GLOBAL IMPORT QUOTA OF 450,000 GROSS BEGINNING 1 JANUARY 1955. THERE WAS NO RECOMMENDATION REGARDING A MODIFICATION IN THE TARIFF RATE OF TEN CENTS PER GROSS AS BOUND IN THE GATT TO SWEDEN AND DENMARK. THREE COMMISSIONERS FOUND THAT THERE WAS NO INJURY FROM IMPORTS AND RECOMMENDED THAT NO ACTION BE TAKEN.

"NO DECISION HAS YET BEEN REACHED BY THE PRESIDENT. WHERE THERE IS A SPLIT DECISION, SECTION 201 OF THE TRADE AGREEMENTS EXTENSION ACT OF 1954 REQUIRES THAT THE FINDINGS AND RECOMMENDATION OF EACH GROUP OF COMMISSIONERS BE TRANSMITTED TO THE PRESIDENT AND PROVIDES THAT THE FINDINGS AND RECOMMENDATIONS OF EITHER GROUP MAY BE CONSIDERED BY THE PRESIDENT TO BE THOSE OF THE COMMISSION.

"THE IMPORTS OF SPRING CLOTHESPINS IN 1953 (IN THOUSANDS OF GROSS) WERE SWEDEN 550, DENMARK 221, ALL OTHERS 156.

"THE GROUP RECOMMENDING ACTION CITES THE RELATIVE AND ABSOLUTE INCREASE IN IMPORTS AS COMPARED TO PREWAR; THE DECLINE FROM NINE PRODUCING PLANTS IN 1949 TO SIX IN 1954; THE DECLINE IN EMPLOYMENT FROM 650 IN 1948 TO 400 IN 1953; THE SHIFT OF FOREIGN PRODUCTION TO MORE COMPETITIVE TYPES; THE IMPORTATION THROUGH GULF AND WEST COAST PORTS WHICH RESULTED IN A REDUCTION OF TRANSPORTATION COSTS OF THE FOREIGN PRODUCT AS COMPARED TO THE DOMESTIC; THE LOWER SELLING PRICES OF THE FOREIGN PRODUCT; THE DECLINING DOMESTIC

PROFITS WITH OPERATION AT A LOSS SINCE 1952; THE REDUCTION OF THE DEGREE OF PROTECTION PROVIDED BY THE SPECIFIC TARIFF AS A RESULT OF THE INCREASED UNIT VALUE OF IMPORTS AS WELL AS THE REDUCTION IN THE DUTY.

"THE GROUP OPPOSING ACTION SAY THAT THERE HAS BEEN NO DEMONSTRATION OF INJURY RESULTING FROM INCREASED IMPORTS; THERE HAS BEEN NO CONSISTENT UPWARD TREND IN IMPORTS IN THE POSTWAR PERIOD; A VALID PREWAR-POSTWAR COMPARISON SHOULD TAKE INTO ACCOUNT THE GREAT INCREASE IN CONSUMPTION AND PRODUCTION, AS WELL AS IMPORTS; THE 1951-54 AVERAGE ANNUAL CONSUMPTION EXCEEDED 1939 BY 2.6 MILLION GROSS WHILE IMPORTS IN 1951-54 EXCEEDED 1939 BY ONLY ABOUT ONE MILLION GROSS; THE 1951-54 VALUE OF OUTPUT WAS UP 120 PER CENT OVER 1939 AT ADJUSTED PRICES; THE PRODUCTION DECLINE SINCE 1950-51 IS SAID TO BE FROM AN ABNORMAL WARTIME LEVEL; THE 1954 ANNUAL RATE OF PRODUCTION IS 150 PER CENT GREATER THAN 1939, OVER TEN PER CENT GREATER THAN 1952-53; THE ALLEGED LOSSES ARE CALLED AN ANOMALY IN THE FACE OF CURRENT EXPANDING PRODUCTION.

"IN ACCORDANCE WITH ARTICLE XIX, PARAGRAPH 2 OF THE GATT, THE UNITED STATES IS PREPARED TO CONSULT WITH THE CONTRACTING PARTIES AND WITH INDIVIDUAL CONTRACTING PARTIES HAVING A SUBSTANTIAL INTEREST IN EXPORTING THIS PRODUCT TO THE UNITED STATES. THE PRESIDENT MAY OR MAY NOT TAKE ADVANTAGE OF THE FULL 60-DAY PERIOD ALLOWED UNDER THE ACT. IN ANY CASE, THE UNITED STATES IS PREPARED TO COMPLETE THE CONSULTATION, EVEN IF ACTION IS TAKEN IN THE MEANTIME.

"THIS INFORMATION IS STRICTLY CONFIDENTIAL. ANY PUBLIC DISCLOSURE MAY NECESSITATE THE IMMEDIATE IMPLEMENTATION OF THE ABOVE RECOMMENDATION."

E. WYNDHAM WHITE