GENERAL AGREEMENT ON TARIFFS AND TRADE

Seventeenth Session of the Contracting Parties

MARKET DISRUPTION: CONSTRUCTIVE SOLUTIONS WITHIN BASIC AIMS OF GATT

During the Ministerial discussions at the fifteenth session attention was called to the problem of disruption of markets caused by a sudden influx of imports. It was pointed out that sharp increases in imports over a brief period of time and in a narrow range of products could have serious economic, political and social repercussions in the importing countries; the problem was to find the means to alleviate the adverse effects of such abrupt invasions of established markets while continuing to provide steadily enlarged opportunities for trade. In the course of discussions it was brought out that the apprehension that such situations might arise had led some countries to maintain or impose restrictions against particular imports from particular countries.

At the sixteenth session the problem was referred to a working party which met in September 1960 and again during the seventeenth session. On the basis of proposals submitted to the working party by the Executive Secretary, the Contracting Parties have now agreed to procedures for considering the problem of market disruption. These are set out as follows:

Recognition of the problem called "market disruption"

Situations which have been described as "market disruption" generally contain the following elements in combination:

(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

(iii) there is serious damage to domestic producers or threat thereof;

(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.
Governmental action resulting from market disruption

The above situations have often led governments to take a variety of exceptional measures. In some cases importing countries have taken or maintained discriminatory measures either outside the framework of the General Agreement, or contrary to the provisions of the General Agreement. In some other cases exporting countries have tried to correct the situation by taking measures to limit or control the export of the products giving rise to the situation.

Such measures, taken unilaterally or through bilateral arrangement, may in some cases tend to cause difficulties in other markets and create problems for other contracting parties.

Constructive solutions consistent with an orderly expansion of world trade: a permanent Committee on Avoidance of Market Disruption to be maintained

It is agreed that the objective of all countries involved in these situations is to find constructive solutions consistent with the basic aims of the General Agreement.

It is also agreed that it would be desirable to establish procedures which would facilitate consultation between all contracting parties concerned with regard to such situations. For this purpose the Working Party on Avoidance of Market Disruption should be maintained in being as a permanent Committee of the Contracting Parties. These procedures would not prejudice the rights and obligations of contracting parties under the General Agreement including rights and obligations in regard to consultation.

Facilities for consultation

Contracting parties recognize that, if and when they are faced with problems of market disruption there would be advantage, whether or not they deal with them by bilateral negotiations, in availing themselves of the facilities thus provided for consultation as regards any problem created for other contracting parties.

In adopting the above plan of operation the contracting parties recognize:

(i) the advantage of multilateral consultations in arriving at constructive solutions, when the problem does not lend itself to bilateral settlement or where a bilateral settlement raises problems for third countries;

(ii) that the procedures should not be such as likely to lead to the restriction, but the orderly expansion of international trade through the provision of improved trading opportunities; and

(iii) that existing rights and obligations under the General Agreement should not be prejudiced.

END