INDUSTRIAL ITEMS

1. Restrictions in respect of which the Federal Republic has requested a hard-core waiver

1. It was agreed that there should be some preliminary discussion on the items in respect of which the Federal Republic has applied for concurrence under the hard-core waiver, but that this should be without prejudice to the attitude which might be adopted by the participating countries when the application was considered formally at the Fourteenth Session.

2. The German delegate stated that these items had been liberalized to OEEC countries and it was hoped that the participating countries in examining the application would bear in mind that the liberalization already granted to OEEC countries would be extended gradually to other areas and that the application of the restrictions would continue to be governed by the non-discrimination rules of Article XIII. So far as dollar discrimination was concerned, there remained only a small part of the industrial sector in which there was discrimination against dollar goods, and once the restrictions on items included in the hard-core waiver application had been fully dismantled, dollar discrimination in the industrial sector would be completely eliminated.

3. The German delegation stated that reasons for the maintenance of import restrictions on items included in the hard-core waiver application were:

(i) protection of German industry against possible damage as a result of low-priced or greatly increased imports from non-OEEC countries, which could no longer be offset by means of an increased tariff because of the complications created by the adoption of the common tariff of the European Economic Community;

(ii) preservation of a share in the German market for goods from other Common Market countries;

(iii) protection of an expanding new industry.

They noted further that there was provision in Article XIX of the General Agreement for safeguarding emergency action to be taken where necessary, and that the General Agreement does not permit the use of quantitative restrictions to combat low-priced imports or, with the exception of cases falling within Article XVIII, to protect expanding industries.
4. The participating countries expressed the view that a hard-core waiver was intended to be granted only for a transitional period to assist an industry which had been receiving incidental protection from restrictions imposed for balance-of-payments reasons, to adjust itself to normal competitive trade conditions. As it was not designed to give cover for discriminatory restrictions imposed for any other reason, the participating countries requested the German Government to reconsider their application in the light of this discussion to determine whether or not it would be necessary to continue to maintain import restrictions on these items, and if so whether it might not be more appropriate for these items to be the subject of an application for a more general waiver under Article XXV of the GATT.

II. Restrictions on other industrial items

(a) Cinematographic films

5. The German delegate stated that imported films were subject to quota agreements which were justified under Article IV of GATT.

(b) Restrictions maintained for general protective reasons

6. The German delegate stated that the Federal Republic was reconsidering its attitude towards a number of the remaining restrictions in the industrial sector. It was possible that a few of the items might be liberalized but it was also likely that a number of others might be included in Germany's application for a hard-core waiver.

7. It was noted by the participating countries that the reason why the Federal Republic thought it necessary to maintain restrictions, on a hard-core basis, was that the German industry concerned could not face further competition even though, in many cases, the industry concerned had a fairly substantial export trade. They further noted that as many of these items had been liberalized for OEEC countries the restrictions would be applied in a discriminatory fashion.

8. The participating countries reminded the Federal Republic that they too were under constant pressure for their industries for increased protection and that their difficulties in withstanding this would be greatly increased if the Federal Republic continued to make use of discriminatory import restrictions, e.g. the difficulties facing the automobile industries in many of the participating countries might result in the imposition of discriminatory import controls against the Volkswagen.
III. Protection against Low-Cost Producers

9. The German delegate stated that restrictions on a number of items in the industrial sector were imposed to control imports from countries where costs of production were low. He reminded the participating countries that this problem of competition within the markets of industrialized countries from Asian imports was one which faced most countries. The German Government had entered into bilateral discussions with the countries involved to try to reach a solution, but so far without success though they were confident that progress would be made.

10. The participating countries pointed out that there was nothing in the General Agreement to permit discrimination against countries where the standard of living and consequently costs of production were low, and that if other countries were to follow the example of Germany in imposing arbitrary import restrictions it would not be possible for under-developed countries to expand trade and improve their own balance-of-payments position.

11. A number of countries rejected the German suggestion that pressure of competition for low-cost producers had been concentrated on the German market because others had invoked Article XXV against Japan or had entered into agreements with low-cost producers on voluntary limitation of exports. Many factors added complications to this problem and the invocation of Article XXV did not necessarily imply undue or unfair restriction of imports. The German market which, unlike that of some other countries, could have been protected by tariff means, had not been subject to pressure because of the discriminatory restrictions which were in force and in fact those restrictions had tended to cause undue pressure on the markets of other contracting parties.

12. The participating countries noted that in a number of cases discriminatory import controls were applied against Asian imports because liberalization for OEEC countries had resulted in such increased competition that the German Government could not risk extending liberalization measures to non-OEEC countries even where the possibility of further competition was slight.

13. The participating countries urged the Federal Republic to discontinue restrictions imposed against low-cost producers; they were of the opinion that in many cases German industry would suffer no damage from this action and if damage did result it would be open to the Federal Republic to bring its case before the CONTRACTING PARTIES in order that a solution within the framework of the General Agreement might be reached.
General Observations

(Additional paragraphs for insertion)

14. It was pointed out in discussion that Germany had entered into tariff commitments under GATT in respect of many of the items still subject to restriction and that the effects of these bound tariffs, for which other contracting parties had in return made tariff concessions, were being nullified by the maintenance of restrictions on imports.

15. The delegate for India said in discussion on cotton and jute items that these were of particular interest to his country. Liberalization had been extended to OEEC countries and he urged the German delegation to review, in the light of the discussion which had taken place on competition from Asian countries, their decision not to extend liberalization further at present.

16. The delegate of Czechoslovakia said that his country was accorded treatment by Germany which did not fit into the descriptions in the negative list but he wished to support the other participating countries in urging the Federal Republic to dismantle their remaining import restrictions wherever possible without delay and to eliminate the element of discrimination from any restrictions which were to remain.

17. The delegate of the Federal Republic stated that the present consultations and the examination of the negative list had been a useful exercise which had helped to clarify Germany's position. The Federal Republic would consider the examination of their remaining import restrictions and it was probable that in the agricultural sector those items which it was not proposed to liberalize within the next year and which did not fall within the Marketing Laws, would be the subject of an application for a waiver under Article XXV. In the case of the industrial restrictions, those items which it would not be possible to liberalize would probably be included in applications for waivers under the Hard-Core Decision or under Article XXV.