1. Points for discussion by the Working Party

I. The Working Party should now examine situations which have been invoked as involving "market disruption".

II. If satisfied as a result of this review that there is a problem, the Working Party should determine what are the principal elements of the problem. In the discussion so far the following elements have been mentioned:

(a) a sharp and substantial increase of imports of particular products;
(b) 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;
(c) such price differentials do not arise from governmental intervention in the fixing of prices or from dumping practices;
(d) there is serious damage to domestic producers or threat thereof.

III. The Working Party should proceed with a brief analysis of the measures which have been reported by contracting parties in L/1164 as being taken with reference to situations of market disruption. Account may be taken of paragraph 72 of the secretariat's report which contains a list of the practices which contracting parties indicate are being so used.

IV. The existing provisions of the General Agreement which might be relevant to the problem or which have been referred to by contracting parties in discussing the problem should be examined.

V. Having examined the circumstances quoted in the reported instances as constituting market disruption and having reviewed the measures actually being applied and the existing provisions of the General Agreement that
might be resorted to, the Working Party should be in a position to examine the need for and the nature of procedural or other provisions which might be adopted to facilitate solution of the problem, consistently with the objectives of the General Agreement. The following might be examined:

(a) Possibility of consultations to be initiated by a contracting party alleging that a situation of market disruption exists or is threatened, with a view to arriving at an agreement on action; procedures for consultation, including where necessary the reference to the CONTRACTING PARTIES for advice and recommendations.

(b) Whether it can be understood that, should the CONTRACTING PARTIES agree upon a multilateral solution, contracting parties which at present apply other measures would be prepared to discontinue their existing measures and rely on the agreed solution.

2. Summing-up by the Chairman of the Working Party

1. The first question was, is there a problem to be called market disruption which is different from other kinds of competition and which would justify measures of a kind not now permitted, e.g. discriminatory measures? Most members felt there were problems of such a character, but several remained unconvinced that these problems were different in nature from ordinary competition, or at any rate unconvinced that they would justify measures of a character not already provided for in the General Agreement.

2. During the early part of the discussion we explored the elements which might be said to characterize a situation of market disruption and on the basis of this debate these were set out in the secretariat draft of "Points for Discussion" in the form of suggested elements to consider. On the whole these elements stood up pretty well as we examined a few examples of actual experience. In the examination of these examples, however, two new points were raised:

(a) that a distinction should be drawn between situations for which emergency action of a temporary nature might be appropriate, and other situations;

(b) that there could conceivably be situations in which no domestic production was being disrupted, but the traditional export trade of third countries was being disrupted. There was a difference of opinion as to whether such a situation could be called market disruption and as to whether it could be held to justify action by the importing country.
3. Some members also suggested that the elements as drafted in paragraph II of the "Points for Discussion" needed some qualification. It was suggested:

(a) that in some cases an increase in imports could cause disruption without being a "substantial" increase if the economic situation in the importing country were such that readaptation of production and redeployment of the labour force could not readily take place; and

(b) that in such a situation, and in some others, prices of imports need not always be substantially lower than domestic prices for difficulty to result.

4. Throughout the discussion there was a difference of emphasis between, on the one hand, members who thought it was important to look to the causes of the phenomenon and, on the other hand, those who thought that what mattered was the effect within the market of the importing country. As regards causes, there was mention of the following factors in the exporting country: wage levels, the level of savings and of capital investment, and the state of technology. Some members drew a distinction between the less-developed exporting countries and the industrialized ones, arguing that the former, being short of capital, were not low-cost producers over a wide range of goods.

5. Reference was also made to the trade policy of the exporters as being a causal factor; it was claimed that their tendency to concentrate in narrow ranges of exports and shift rapidly from one range to another was one source of disruption.

6. Some speakers also pointed to causal factors in the importing countries, such as a relative decline in the importance and efficiency of a particular industry over time. Many members stressed the importance of the fact that if access of goods from certain countries to many important markets is severely restricted, serious problems of market disruption are inevitably felt in the relatively open markets.

7. As regards effects in the import markets it was pointed out that difficulties were created if the rate of increase of imports appreciably exceeded the rate at which the affected domestic industries or labour force could adapt themselves, or be redeployed. It was argued that one justification for emergency measures would be to allow time for the necessary readjustments to take place in the importing country without undue social or political repercussions. Indeed throughout the discussion it was recognized that social and political problems were involved in addition to economic problems.

8. It was also pointed out that the availability of some goods at lower prices often led to greater consumption rather than to damage to existing industry.
9. Turning to the question of measures which have been taken in the name of market disruption we were not able to draw a full discussion. It was emphasized, however, that in certain countries a failure to deal appropriately with this problem could have serious consequences for the whole range of their commercial policy the effects of which would not be confined to the terms of access for goods of the so-called low-cost countries, but would have an impact on other contracting parties as well.

10. While it was by no means clear that all the restrictions maintained by certain countries against so-called low-cost countries on a discriminatory basis were maintained in the name of market disruption it was argued by some members that a distinction should be drawn between fear of market disruption and actual experience of it, and that while exceptional measures might be appropriate in situations where disruption was experienced, restrictive measures were not justifiable for the sole purpose of guarding against hypothetical possibilities.

11. A number of members noted that bilateral measures to ease situations of market disruption or taken in apprehension of possible situations of market disruption tended to have effects on third countries. They could not therefore be regarded as solely the concern of the pairs of countries involved, but were properly the concern of the CONTRACTING PARTIES as a whole.

12. We have not been able to consider in any detail the question of multilaterally acceptable solutions. Indeed we have not yet been able to examine the adequacy of the present provisions of the General Agreement to deal with such situations. We have heard one or two very tentative ideas about possible lines of approach, but we have, however, had a very valuable discussion of the elements and considerations which would have to be taken fully into account in arriving at such a solution should it be decided at a later date that a multilateral solution of this matter is needed to supplement the existing provisions of the General Agreement.

13. Our further consideration of this important and complicated problem should benefit very greatly from this initial discussion and from the study we will all be able to give to it in our national capitals before we reconvene at the seventeenth session.