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2nd REPORT

from the Commission

**on the quantitative quotas
and
surveillance measures
applicable to certain non-textile
products originating in the
People's Republic of China**

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INTRODUCTION

A. Historical background

By Regulation (EC) No 519/94 of 7 March 1994, the Council of the European Union introduced Community-wide quantitative restrictions on 7 categories of products originating in the People's Republic of China, namely gloves, footwear, porcelain tableware, ceramic tableware, glassware, car radios and toys, and certain surveillance measures.

The introduction of such measures had been agreed, in principle, by the Council in December 1993 as part of a global package including acceptance of the Uruguay Round results, reinforcement of the trade policy instruments and completion of the common commercial policy.

The latter aspect of the package involved the unilateral elimination of 6.417 national quantitative restrictions (of which some 4.700 concerning Chinese products) and the introduction of Community-wide quotas on imports from China of a limited number of sensitive products, whose imports were at that time subject to national restrictions. The introduction of such quotas was based on the following considerations :

- a) the sensitivity of the Community industries concerned;
- b) the increasing threat posed by imports from China to these industries, made more acute by the particular characteristics of the Chinese economy.

B. Objective of the Commission report

In the course of discussions in the Council on Regulation (EC) No 519/94, the Commission made the following statement which was included in the minutes :

"The Commission will report to the Council before 31 December 1995 and before the 31 December of every year thereafter on the implementation of the surveillance measures and the quantitative restrictions provided for in Annexes II and III, the need to maintain such measures, and will propose, as the need arises, the appropriate adjustments."

Like the first report (doc COM(95) 614 final of 6 December 1995), this second report is in response to the above-mentioned commitment.

C. Methodology

1. The report first reviews the implementation of the quantitative restrictions, including the problems raised by their administration.

In its second chapter, it addresses the question of the need to maintain the quantitative restrictions introduced by the Council. To this end, the Commission examined whether the conditions which justified the introduction of these measures in 1994 are still present, in particular:

- a) the sensitivity of the Community industries concerned, and
- b) the threat posed by imports from China to these industries.

This examination was conducted sector by sector.

The implementation of the surveillance measures and the need to maintain them is dealt with in the third chapter.

The fourth chapter presents, on the basis of the above analysis, the Commission conclusions.

2. As in 1995, the Commission faced considerable difficulties with regard to the collection of statistical and factual data on the industries concerned, as well as on the development of the Chinese export potential. In particular, it should be noted that obtaining reliable information on the prices of Chinese imports remains difficult.

Extensive efforts were made to obtain information from Community producers and Community importers and traders, who were approached directly or through their representative organizations. The response was, however, incomplete and therefore again rather unsatisfactory.

Regarding information on the state of the Community industry, these difficulties were amplified by the fact that producers generally produce a wide range of products, not just those subject to quota, and that nearly all these sectors are made up of many small and medium-sized enterprises, of which a significant proportion are not even known by the relevant national federations.

On the importers' side, the Commission received answers of a general nature from only a small number of associations or individual importers.

It should also be noted that only one Member State, the United Kingdom, submitted factual data and comments to the Commission for the purposes of this report.

3. In general, the analysis is based on figures for 1995, as full statistics for 1996 were not available at the time of the drafting of this report. However, trends for 1996 have been used, where possible.

CHAPTER 1

IMPLEMENTATION OF THE QUANTITATIVE RESTRICTIONS

I. Background and evolution since the previous report

1. Since their entry into force in March 1994, the quotas have been modified on four occasions:

- In July 1994, the Council decided to increase the 1994 level of the quota on stuffed toys since information obtained from the economic operators and the Member States indicated that the balance between the objective of ensuring an appropriate protection of the Community toy industry and that of maintaining an acceptable level of trade with the People's Republic of China had not been satisfactorily achieved for this product.
- In March 1995, the quotas were further modified.

This was, in the main, to take account of the extension of the quantitative restrictions to Austria, Finland and Sweden. The adaptation was done on the basis of the actual imports of these countries from China in 1993;

This modification was also aimed at solving problems which had arisen in the implementation of the quotas. Where it was compatible with the protection of the sectors concerned, the Council agreed a certain relaxation of the quotas (ceramic and porcelain tableware, glassware, car radios, toys, certain sport footwear through the reduction of the price break for hi-tech shoes from ECU 12 to ECU 9). In addition, three subdivisions of quotas were eliminated, two on shoes and one on working gloves.

- In April 1996, following the conclusions contained in the Commission's first report on the surveillance measures and quantitative quotas applicable to imports of non-textile products from China, the Council decided by Regulation (EC) No 752/96 to relax further the quota regime vis-à-vis China:

- the quotas on 3 products (gloves, car radios and combined car radios) were removed;
- the 3 toy quotas were merged into one quota, to give more flexibility to traders and allow them to react more rapidly to market changes;

- the remaining quotas were increased (ceramic and porcelain tableware and glassware by 10% and shoes by 2 %).

- Finally, in October 1996, Council Regulation (EC) No 1897/96 excluded glass-fronted clip-frames from the quota applicable to glassware, since their inclusion was not considered necessary for the protection of the sectors of Community industry concerned.

II. Management of the quotas

a) Legal basis and objectives

1. The management of Community quotas is based on Council Regulation (EC) No 520/94 of 7 March 1994 establishing a Community procedure for administering quantitative quotas and Commission Regulation (EC) No 738/94 of 30 March 1994 laying down certain rules for the implementation of Council Regulation (EC) No 520/94 (mostly concerning procedural aspects, including the common import licence form).

It should be recalled that before the adoption of Regulation (EC) No 520/94, quotas were allocated among Member States, and not directly to importers. Since the reform of March 1994, uniform criteria, determined by the Commission after consultation of the Management Committee, apply to all Community importers, in conformity with the principles of the Single Market and the relevant case law of the European Court of Justice.

2. In the management of the quotas, the Commission has been guided by the following principles :
 - that administrative procedures would not add to the intended effect of the quotas on trade and that the available quantities would be fully used; and
 - that non-discrimination among all Community importers, no matter where they are established and no matter where they submit a licence application would be ensured.

b) **Functioning of the quota management system**

1. In conformity with the above-mentioned principles, the Commission felt it appropriate to resort to the first allocation method provided for by Regulation (EC) No 520/94, *i.e.* the method based on traditional trade flows, which guarantees that "traditional" importers receive at least a part of their previous trade performance realized during a reference period, while ensuring a fair access to the quotas to non-traditional importers.

This allocation method, while it would appear to have worked satisfactorily, did raise however certain practical problems in relation to the choice of the reference period and the determination of the relative shares set aside for traditional and for other importers respectively.

- In addition, the management of the part of the quotas set aside for the non-traditional importers raises a problem. The chronological method ("first come, first served"), whose use for the management of the 1994 quotas did not prove practicable, has been replaced by the third method provided for by Regulation (EC) No 520/94, *i.e.* the method of proportional allocation to the quantities requested. The problem resulting from the unrestricted access to that part of the quota however remains. In 1994, 12.232 import licence applications were submitted by non-traditional importers; this figure grew to 21.926 applications for the first tranche of 1995, to 19.613 for the second tranche (with fewer product quantity to be allocated) and to 28.204 applications for the allocation of the 1996 quotas. This year the number of applicants for the 1997 allocation has decreased to 19.708, but considering that the number of products under quota has been further reduced, the problem remains. This extremely high number of applications results in those non-traditional importers being allocated more and more limited quantities, a fact which is likely to lead to underutilization of the quotas. The Commission considers that a guarantee set at an appropriate level would be the best option to eliminate speculative requests. This solution, however, has so far met with opposition of the Member States.

2. In the management of the quotas, the Commission made every effort to satisfy the wish of importers to receive information as early as possible on their allocation for the following period. To this end, the Commission opened the allocation procedures for the 1997 quotas well before the beginning of the quota year.

3. In the same spirit, the Commission modified the initial duration of the validity of the import licences in order to meet the importers' requests for flexibility. The 1997 management rules currently provide for a 12-month validity of the import licences, the Council having adopted the Commission proposal to allow the carry-over of unused quotas to the following quota year.
4. Concerning the administrative procedures, the Community management system is based on a "single-stop" approach, whereby all Community importers, irrespective of where they are established in the Community, may submit a licence application to the competent authority of the Member State of their choice, and obtain an import licence which is valid throughout the Community.

In addition, the application procedure has been made as simple as possible and the formalities reduced to a strict minimum; the licencing process is totally free of charge for the Community importers.

c) **Conclusion**

As is unavoidable when trade is subject to restrictions, the management of these quotas raised some problems. The Commission considers, however, that the system adopted has on the whole worked well, thanks to the cooperation of Member States. In particular, it is felt that any (legitimate) concerns that the management system should not add to the effect of the quotas, as decided by the Council, have been met.

III. Developments in the trade of the products subject to quantitative restrictions

The following two tables give a factual summary of the developments in the trade of each product subject to quantitative restrictions, both in terms of volume and value.

a) Evolution in volume of the products concerned (imports and quotas)

Products	Unit	Imports			Quotas		
		1992	1993	1994	1995 quotas (annual basis)	1996 quotas (annual basis)	unused quantities in 1995
rubber and plastic uppers shoes (6402 99)	pairs	33.498.463	37.894.757	37.259.535 (9.989.423 hi- tech incl.)	39.151.481 (+hi-tech exemption)	39.151.481 (+hi-tech exemption)	8.437.277
leather shoes (6403 51 & 59)	pairs	3.030.801	3.942.271	2.614.453	2.740.116	2.795.000	924.173
leather shoes (6403 91 & 99)	pairs	24.860.632	36.215.974	30.661.174 (14.122.199 hi-tech incl.)	11.881.963 (+hi-tech exemption)	12.120.000 (+hi-tech exemption)	1.934.408
textile shoes (6404 11)	pairs	23.849.323	20.853.012	22.739.304 (6.288.335 hi- tech incl.)	18.228.780 (+hi-tech exemption)	18.228.780 (+hi-tech exemption)	5.721.246
textile shoes (6404 19 10)	pairs	34.789.708	31.039.693	26.575.875	31.897.716	31.897.716	7.644.723
total shoes	pairs	120.028.927	129.945.707	119.850.341 (33.361.807 hi-tech incl.)	103.900.056 (+ hi-tech exemption)	104.192.977 (+ hi-tech exemption)	24.661.827

- figures on hi-tech shoes from Community surveillance are based on surveillance documents issued, which do not necessarily reflect actual levels of imports
- figures on unused quantities based on import licences returned to the Member States (no data available for Portugal)

Products	Unit	Imports			Quotas		
		1992	1993	1994	1995 quotas (annual basis)	1996 quotas (annual basis)	unused quantities in 1995 (*)
porcelain tableware (691110)	tonnes	43.960	42.300	58.917	43.619	45.800	7.686
ceramic tableware (691200)	tonnes	33.247	36.681	46.851	33.000	34.650	3.912
glassware (7013)	tonnes	14.374	16.722	12.462	14.210	15.600	3.714
stuffed toys (9503 41)	ECU	260.117.000	302.919.000	247.764.000	274.764.243	N A ⁽¹⁾	50.990.985
toys (9503 49)	ECU	110.648.000	171.334.000	88.686.000	132.767.177	N A ⁽¹⁾	34.034.572
toys (9503 90)	ECU	621.200.000	678.864.000	478.069.000	649.465.212	N A ⁽¹⁾	135.279.994
total toys	ECU	991.965.000	1.153.117.000	814.519.000	1.056.996.632	1.056.996.632	220.305.551

Source : - EUROSTAT

(*) figures on unused quantities based on import licences returned to the Member States (no data available for Portugal)

(1) breakdown no longer available because of merger of the quotas

b) Import prices of products originating in China

Product	Unit price in 1993	Unit price in 1994	Unit price in 1995
Footwear :			
- 6402 99	3,68 ECU/pair	3,68 ECU/pair	4,14 ECU/pair
- 6403 51	9,76 ECU/pair	11,86 ECU/pair	6,65 ECU/pair
- 6403 59	3,30 ECU/pair	3,31 ECU/pair	2,99 ECU/pair
- 6403 91	9,54 ECU/pair	10,17 ECU/pair	11,25 ECU/pair
- 6403 99	7,45 ECU/pair	8,02 ECU/pair	9,33 ECU/pair
- 6404 11	3,94 ECU/pair	4,33 ECU/pair	7,19 ECU/pair
- 6404 19 10	1,00 ECU/pair	0,90 ECU/pair	0,82 ECU/pair
Porcelain tableware(*) :			
6911 10	1.105,25 ECU/tonne	1.011,58 ECU/tonne	1.049,20 ECU/tonne
Ceramic tableware(*) :			
6912 00	1.060,06 ECU/tonne	1.054,41 ECU/tonne	1.112,21 ECU/tonne
Glassware(*) :			
7013	1.961,07 ECU/tonne	2.227,57 ECU/tonne	2.547,29 ECU/tonne
Toys :			
- 9503 41	7.831 ECU/tonne	7.314 ECU/tonne	6.249 ECU/tonne
- 9503 49	6.013 ECU/tonne	6.106 ECU/tonne	5.983 ECU/tonne
- 9503 90	4.812 ECU/tonne	4.926 ECU/tonne	4.911 ECU/tonne

Source : EUROSTAT; (*) 1995 Prices until september

CHAPTER 2**SHOULD COMMUNITY QUOTAS BE MAINTAINED?****I. Approach adopted by the Commission**

To reply to this question the Commission sought to find out if the conditions that had provoked the introduction of quantitative restrictions in 1994, namely the sensitivity of the Community industries concerned and the threat posed by Chinese products to them, still prevailed.

It did this by carrying out a sector-by-sector analysis on the basis of the following economic indicators:

1. Structure of the industry
2. Production
3. Employment
4. Import trends
5. Import prices
6. China's export potential

II. Analysis of the sectors concerned

Footwear

CN 6402 99; 6403 51 and 59; 6403 91 and 99; 6404 11; 6404 19 10

A. Situation of the Community footwear industry

1. Structure of the industry

There were no major changes in the structural features outlined in the first report. With more production unit closures, the number of producers again fell, by 1%. Similar trends obtain in the three new Member States.

2. Community production

Despite a sluggish consumer market, EU footwear manufacturers saw the erosion of their share of the Community market ease off in 1995, with sales stabilizing in a contracting market. Exports, up only 1.5%, did not increase as fast as in previous years. The drop in EU production was therefore quite small.

1000 pairs	1992 (x)	1993 (x)	1994 (x)	1994 (xx)	1995 (x)	1995 (xx)
Production	1 081 568	1 090 236	1 108 143	1 125 575	1 099 119	1 116 153
Exports	271 438	291 889	339 687	N A	343 024	306 331
Consumption	1 549 124	1 529 327	1 525 128	N A	1 482 125	1 549 201
Sales/Community production on internal market	810 130	798 347	768 446	N A	756 095	809 822
Market share of Community production	52 %	52 %	50 %	N A	51 %	52 %

(x) EUR 12

(xx) EUR 15

Full and comparable specific figures for products under quota are not available but the general trends outlined below should give a fairly representative idea of how they fared.

3. Employment

The rate of job losses mirrored the drop in production, falling steadily but more slowly.

	1991	1992	1993	1994	1995
Numbers directly employed Eur 12	318 819	302 819	291 465	295 717	292 112
Eur 15				303 129	299 426

4. Current restructuring

The industry's moves to increase competitiveness continued. Pressure from competitors eased as a result of Community quotas, enabling such moves to be brought to bear more quickly and thoroughly. Besides improvements to the range and quality of products, and the automation of most manufacturing stages, there was investment in the development of computerized data exchange systems, particularly with customers, so optimizing marketing.

B. Sensitivity to Chinese imports

1. Import trends

- Footwear imports into the Community fell 7% on the year to account for around 50% of the total market, i.e. a slight drop on 1994.

The table below gives an overview of import trends from the main supplier countries.

1000 pairs	1992 (x)	1993 (x)	1994 (x)	1995 (x)	1995 (xx)
Non-EC total	738 994	731 580	786 675	730 836	750 542
China	293 197	296 700	316 413	280 491	294 990
Indonesia	85 960	86 673	105 461	99 573	102 275
Vietnam	12 255	32 752	61 509	74 834	76 516
Thailand	69 981	61 118	55 541	35 930	37 627
India	14 656	18 393	20 980	19 294	19 718
South Korea	54 999	30 410	20 578	14 283	15 237
Taiwan	37 145	21 538	18 102	19 452	20 455
Brazil	24 570	23 209	17 809	N A	N A

(x) EUR 12
(xx) EUR 15

These trends reflect the general stagnation of the European market, where consumption is at a five-year low.

Imports from China and from all the Community's main suppliers except Vietnam fell. In the case of China, this was mainly due to the cumulative effect of the market slump and the quotas.

The overall picture for imports from China is as follows:

1000 pairs	1992	1993	1994	1995 (x)	1995 (xx)
Quota footwear	131 671	137 679	103 908	70 911	75 940
Non-quota footwear	161 526	159 021	212 505	209 580	219 050
Total	293 197	296 700	316 413	280 491	294 990

(x) EUR 12

(xx) EUR 15

The biggest fall was in quota footwear, which accounted for a quarter of all imports from China. The likely explanation is that Chinese exporters diversified their production in part to avoid the quotas. As a result, they were still able to keep up market pressure.

Chinese products still represented 38% of all footwear imports into the EU and took a fifth of the total market. Consequently, they continued to have a considerable influence on Community market conditions.

In the specific case of the tariff headings subject to quotas, the slowdown was slightly more pronounced for leather footwear than for other types:

pairs	1991 (x)	1992 (x)	1993 (x)	1994 (x)	1995 (x)	1995 (xx)
6402 99	24 516 513	33 498 463	37 894 757	37 259 535	23 591 101	26 046 878
6403 51 and 59	2 547 468	3 030 801	3 942 271	2 614 453	1 100 882	1 241 836
6403 91 and 99	12 066 280	24 860 632	36 215 974	30 661 174	14 848 403	15 616 755
6404 11	23 922 387	23 849 323	20 853 017	22 739 304	12 717 692	14 148 760
6404 19 10	34 466 034	34 789 708	31 039 693	26 575 875	18 653 036	18 885 207

(x) EUR 12

(xx) EUR 15

The 1995 fall-off in quota imports from China does not appear to have continued into 1996: between January and April of this year, imports into the eight largest importing Member States rose 27% year on year.

2. Import prices

For the reasons given in the first report to the Council, it is not generally possible to make direct comparisons between imports from China and Community footwear products. However, anti-dumping investigations now under way do show that prices have been very sharply undercut.

A comparison between the average prices of Chinese imports and Community exports is also very telling:

Product		1992 (x)	1993 (x)	1994 (x)	1995 (x)	1995 (xx)
6402 99	China	3.17	3.68	3.68	4.14	4.09
	EU	6.43	5.98	6.24	6.08	6.17
6403 51	China	8.66	9.76	11.86	6.65	6.74
	EU	21.28	21.19	21.50	21.07	21.07
6403 59	China	3.56	3.30	3.31	2.99	3.16
	EU	17.38	16.64	16.43	18.20	18.11
6403 91	China	8.63	9.54	10.17	11.25	11.15
	EU	20.41	18.71	19.73	20.28	20.87
6403 99	China	6.72	7.45	8.02	9.33	N A
	EU	14.82	14.12	14.17	14.64	14.68
6404 11	China	3.14	3.94	4.33	7.19	7.15
	EU	9.14	8.80	8.25	10.75	10.74
6404 19 10	China	0.94	1.00	0.90	0.82	0.83
	EU	3.85	4.12	4.12	4.01	4.03

ECU

(x) EUR 12

(xx) EUR 15

In most cases, too, the average unit prices of imports from China in 1995 were lower than those of any other main Community supplier. This is despite the fact that the prices of some products were on an upward trend (owing perhaps to a system of quotas per number of pairs and to more sophisticated, and therefore expensive, products which are now likely to be exported). For heading 6404 11, all imports rose sharply in price (e.g. Thailand up 43%), putting the Chinese figure in perspective. For 6403 51, however, there was a marked drop in price.

C. Opinion of the importers

The FTA (Foreign Trade Association) have argued that quantitative restrictions on footwear were not justified on the grounds that in the medium term they would threaten the export chances of the European shoe industry, as they would provoke similar actions from exporting countries. Furthermore, FTA maintains that import restrictions hinder the relocation of shoe production to locations with better factor endowments outside the EU.

D. Conclusion

The footwear industry remains highly sensitive to the sheer volume of imports from China, their share of the Community market, substantial undercutting and the export potential of Chinese exporters. Their market penetration was checked briefly in 1995 but this was due to quotas and, more generally, to weak demand overall. The expected upturn in the market along with improvements to the quota system will probably lead to further inroads into the Community market for the most sensitive products currently under quota, and this needs to be kept under control.

Porcelain or china tableware and ceramic tableware

CN 6911.10 and CN 6912.00

In general terms, statistics on the ceramics industry are hard to come by, since producers are very reluctant to give what they consider to be commercially sensitive information to their federations. Moreover, in the tableware sector, there are many very small producers which are not members of any national federation.

A. Structure of the EU ceramic tableware sector

Output in the tableware sector in 1995 represented 12.5% of the total output of the ceramics industry in the European Union in value terms, but in terms of numbers employed, it accounts for about 30%. It is the most labour intensive of the six ceramics sub-sectors, and is therefore particularly vulnerable to the effects of low-priced imports.

The sector is made up of some big producers, such as Villeroy & Boch of Germany, and Royal Doulton and Wedgwood of the UK, the three biggest producers in the world, but also a large number of very small and medium sized enterprises. The European federation estimates it has as its members 171 independent producers which may or may not have more than one plant. In addition, there are many small producers throughout Europe which are not members of any federation, and keeping track of them is very difficult. This is particularly the case in Spain and Italy.

All producers have a vast range of products, which differ greatly between producers and depend to a large extent on public taste and disposable income.

Originally, production of ceramic products was built up near to the source of raw materials, and energy, and where transport facilities were good. These are no longer the primary deciding factors, but the sector is still very concentrated geographically, with, for example, big concentrations in Staffordshire in the UK, the Limousin in France, northern Bavaria in Germany, and Maastricht in the Netherlands. When the industry was set up in Staffordshire (an area which became known as "The Potteries", as within a century of the first production there were estimated to be some 400 different producing units), there were vast deposits of clay and coal, and a well-established canal system.

During the discussions in the Council Commercial Questions Group, it was suggested that that part of the quota on CN 6912.00 referring to stoneware could be abandoned since there was no longer any production of stoneware in the European Union. This statement appears to be incorrect: stoneware continues to be produced in the EU, notably in the UK, although precise production figures are not available, since stoneware (CN 6912.00.30) and earthenware (CN 6912.00.50) are usually reported together. There is significant intra-EU and extra-EU trade in the product.

B. Trends in production and apparent consumption

The European ceramic tableware sector is represented at European level by the Fédération européenne des Industries de Porcelaine et de Faïence de Table et d'Ornementation (FEPPF), which in turn is a member of the general European ceramics federation, Cérame-Unie. Cérame-Unie estimates that it represents some 75% of tableware producers, given that some of the smaller producers in Spain and Italy may not be members of their national federations, and the figures given below are estimates of production, etc., for EUR 12. The figures directly below concern **all ceramic products**.

Units: million ECU

	1992	1993	1994	1995
Production	22761.7	21216.2	22187.4	22581.3
Exports	3301.9	3667.2	4217.4	4475.4
Imports	1233.0	1259.4	1342.1	1360.5
Apparent Consumption	20692.8	18808.4	19312.1	19466.4
EU sales on domestic market	19457.4	17595.2	17981.5	18105.9
EU market share	94.03%	93.55%	93.11%	93.01%
Imports market share	5.97%	6.45%	6.89%	6.99%
Direct employment	319899	292889	280586	279270
N° companies	c2500	N A	N A	c2000

Import and export figures above are taken from COMEXT. Production and employment figures come from the DEBA database (Eurostat).

In comparison, similar information on **tableware**

CN 6911 + 6912 + 6913

Units: million ECU

	1992	1993	1994	1995
Production	3600	3400	3000	n/a (decreasing)
Exports	856.4 501.6*	901.4 544.7*	1002.6 653.9*	1043.4 705.6*
Imports	668.2 375.4*	659.0 370.0*	677.0 399.3*	651.7 377.6*
Apparent Consumption	3411.8	3157.6	2674.4	n/a
EU sales on domestic market	2743.6	2498.6	1997.8	n/a
EU market share	80.4%	79.1%	74.7%	n/a
Imports market share	19.6%	20.9%	25.3%	n/a
Direct employment	105 000	90 000	81 000	c75 000**

Source: imports/exports from COMEXT
production and employment from Cérame Unie

* CN 6911.10 + 6912.00

** rough estimate by Cérame-Unie

As is evident from the figures above, import penetration for all ceramic products together is not significant, except that it must be borne in mind that Europe is a strong traditional exporter of ceramic products, and exports form an integral and indispensable part of many European companies' order books.

Conversely, figures for tableware only show a more marked penetration of imports (25.3% in 1994).

It should be further noted that the Chinese share of imports of all ceramic products has been climbing steadily, and accounted for 14.9% in 1995 (in value terms).

C. Trends in imports and exports

As mentioned above, exports are very important for EU tableware producers, many of whom export up to 30% of their production, although the quantity of tableware exported is generally well below import levels. The tables below show EU trade in 1995 with its biggest importers, and its biggest export markets.

EU Imports

Source: COMEXT

Origin	CN 6911.10		CN 6912.00	
	Tonnes	% total imports	Tonnes	% total imports
China	28134	27.85	24845	25.14
Poland	16179	16.02	9667	9.78
Czech Rep.	11757	11.64	817	0.83
Romania	7734	7.66	5579	5.65
Hong Kong	4600	4.55	885	0.90
Philippines	3917	3.88	1191	1.21
Bulgaria	3759	3.72	676	0.68
Indonesia	3218	3.19	5014	5.07
Total	101014	100.00	98829	100.00

EU Exports

Source: COMEXT

Destination	CN 6911.10		CN 6912.00	
	Tonnes	% total exports	Tonnes	% total exports
USA	11081	28.69	63004	61.38
Czech Rep.	4608	11.93	423	0.41
Switzerland	3520	9.11	3663	3.57
Japan	3300	8.54	4371	4.26
Israel	2189	5.67	4095	3.99
Australia	1791	4.64	5364	5.23
Canada	1696	4.39	3877	3.78
China	7	0.02	1	0.00
Total Extra EU	38624	100.00	102646	100.00

So whilst the majority of imports into the EU of porcelain and china, and earthenware, are from China, EU exports to China remain virtually nil. The Chinese do not import, presumably for supply reasons, but are major exporters since their exports are priced not in accordance with production costs, but in accordance with foreign currency needs.

The three biggest tableware producing countries of the EU are France, Germany, and the United Kingdom where producers consider great harm has been done to the main producing areas by cheap Chinese imports over the years. Developments over recent years, in French, German, and British consumption of porcelain and china tableware (CN 6911) for instance, are shown below for the last three years for which figures are available.

FRANCE

Source: COMEXT

'000 ECU

	1992	1993	1994	1995
Domestic sales	94440	110471	111555	102261
imports	79167	73405	85442	82230
Of which, China	9757	15260	11473	6906
China as % total imports	12.3	20.8	13.4	8.4
Apparent consumption	173607	183876	196997	184491
China as % of apparent consumption	5.6	8.3	5.8	3.7

* Imports are extra-EU plus imports from other Member States.

GERMANY

	1992	1993	1994	1995
Domestic sales	494948	610771	579813	n/a
Imports	93363	106015	111979	119284
Of which, China	3773	4334	6358	7976
China as % total imports	3.6	4.1	5.7	6.7
Apparent consumption	588311	716786	691792	n/a
China as % of apparent consumption	0.6	0.6	0.9	n/a

UNITED KINGDOM

	1992	1993	1994	1995
Domestic sales	109292	147764	168197	174592
Imports	44778	43344	46387	44677
Of which, China	1011	894	2943	3728
China as % total imports	2.2	2.1	6.3	8.3
Apparent consumption	154070	191108	214584	219269
China as % of apparent consumption	0.6	0.5	1.4	1.7

It should be noted that the figures relating to imports from China above, and the calculations resulting, are significantly different from the levels in last year's report. This is because when the report was being written last year, figures covering imports from China were supplied by Cérame-Unie members. Checking these in COMEXT now reveals a number of discrepancies, which means that the percentage share of Chinese imports in **total imports** into the three Member States above has been reduced. However, it must be stressed that total imports means imports not only from third countries, but also includes imports from **all other Member States**, and there is significant intra-EU trade in ceramics tableware.

Consumption in these countries in the three years mentioned above is down on previous years, as tableware producers consider that the recession is far from over for their products, and that the threat from Chinese imports is growing steadily.

D. Prices

Average prices of Chinese imports are well below European prices both for porcelain and chinaware and for earthenware. Below is a comparison of average prices charged for imported Chinese goods, with the average price of similar products manufactured in the EU.

ECU/kg

Source: Cérame-Unie members

		1991	1992	1993	1994	1995
CN 6911	Chinese	1.21	1.06	1.11	1.04	1.10
	EU	5.65	5.55	4.15	5.34	3.39
CN 6912	Chinese	0.96	1.04	1.08	1.19	1.10
	EU	2.43	2.38	2.21	2.34	2.06

For the two specific products subject to quota, Chinese prices compared with the average Intra-EU levels in 1995 were:

ECU/kg

Source: COMEXT

	Chinese	Intra-EU
CN 6911.10	1.06	5.57
CN 6912.00	1.08	2.46

As can be seen from the above figures, whilst the existence of quotas may have limited the amount of Chinese imports, the prices of these have remained fairly stable. European prices have, however, come increasingly under pressure, not only because of the presence of low priced imports notably from south east Asia and central and eastern Europe, but also because there is significant production over-capacity in the European Union.

E. Employment trends

Numbers employed in the ceramics industry have been decreasing steadily in recent years, as can be seen from the table shown below.

1000

	Total ceramic industry*	Tableware sector	Tableware as % of total
1992	320	105	32.8
1993	293	103	35.2
1994	281	81	28.8
1995	279	75	26.9

* includes coarse ceramics - refractory products, building bricks and roof tiles. 1995 figures are estimates.

Figures for the total industry employment come from the Panorama of European Industry; figures for the tableware sector are Cérame-Unie estimates. Cérame-Unie has also provided some estimates of the progression in employment levels in the tableware sector in certain Member States over the last two years:

	1994	1995
France	4005	3894
Germany	24725	21424
Portugal	12278	11898
Spain	656	n/a
United Kingdom	22085	22000
Italy	6060	n/a
Netherlands	640	605
Austria	994	n/a

It is not easy to determine how much of the decline in employment in this sector is a direct result of growing imports of low priced Chinese tableware, but there are a number of examples of closures or relocations where the existence of cheap imports have played a major role in the decision making process:

1. 3 plants in the United Kingdom have closed down over recent years, and others are working at reduced capacity
2. Royal Doulton (UK) has started to produce tableware in Indonesia in order to be able to take advantage of cheaper labour costs and better face low priced competition in its European markets
3. Villeroy & Boch (D) has moved part of the production from its Mettlach plant in Germany, where employment and social costs make up some 35% of total cost, to plants in France and Hungary, where the corresponding figures are 25% and 11% respectively. The reason for this decision is specifically to better face competition from low priced imports.

Such a move is bound to have serious effects for the town, where, out of a population of around 8000, some 3500 are employed in Villeroy & Boch's plants producing tiles, sanitaryware, and tableware. The current numbers employed are already down from 5500 a few years ago, in an area where there is little in the way of alternative employment. In addition, unemployment in the Saarland is well above the German national average.

N.B. Numbers employed in the ceramics industry as a whole went down by an estimated 12.7% between 1992 and 1995; numbers employed in the tableware sector went down by an estimated 28.6% over the same period.

F. Counterfeiting problem

An additional and increasing problem which EU tableware manufacturers have with Chinese imports is that they are often counterfeit. That is, Chinese producers have been known to send representatives to Europe where they copy European designs, which are produced in China and sold in Europe at much lower prices than the European products. Examples have been shown in the past of Chinese products being sold in European markets, as virtually exact replicas of EU products (evidence provided by Cérame Unie is available if necessary).

G. Chinese tableware sector

Very little is known of the actual structure of the tableware sector in China, although it is known China exports around 25% of its total production. In 1995, a German magazine estimated that Chinese tableware production amounted to about 6 billion pieces, for a total value of DM 3 billion that year, coming from around 1000 production units with some 260 000 workers.

As far as is known, no EU producers have any involvement in the production of ceramic tableware in China. It does not seem possible at this stage that there would be any big Chinese market for their products. There is a market for their products in other south east Asian countries, though, and production in China could prove attractive in the longer term.

H. Opinion of the Community industry

Cérame-Unie, which represents the major European ceramics producers remains firmly in favour of the continuation of the quotas. This position is endorsed by an important number of members of the European Parliament (Ceramic Intergroup).

I. Opinion of the importers

FTA (Importers association) believes that due to a suppressed demand the impact of the quota in the ceramics and porcelain sector is less dramatic than in other sectors concerned. However FTA still maintains that any quantitative restriction should be abolished.

J. Conclusion

China continues to be a state-trading country in which it is thought that more than half of industrial output is still effected by state enterprises, and where the financial system, and the change of hard currencies, remains in the hands of the State. This means that Chinese exporters can go on selling tableware on European markets at prices which are not cost related, and this continues to damage the EU market.

This situation exacerbates already difficult circumstances for a sector which is, as mentioned above, highly geographically concentrated, where demand is falling, and where there is a certain amount of overcapacity.

In view of the above, the tableware sector remains sensitive because of the high volume of the Chinese imports, their considerable disruption potential and the substantial price undercutting.

Glassware

CN 7013 (other than of heading No 7010 or 7018)

A. Structure of the EU glass tableware industry

In 1995, the glass tableware sector in the European Union accounted for 3.94% of all glass production in the EU, as opposed to container glass which is the largest glass sub-sector with 64.73%, and flat glass with 25.46%. 95% of all EU glass tableware is produced in France, Germany, Italy and the UK.

France occupies a dominant position, accounting for over half EU output. Its largest producer, Verrerie Cristallerie d'Arques is a world leader, employs around 11 000 people, produces in the region of 5 million articles, and exports some 75% of its production. There are other large producers, such as Schott(D), Bormioli Rocco(I), and Durobor (B/UK), but the majority of producers are small and medium-sized enterprises. The principal competition comes from the USA and Japan, dominated by Corning and Asahi respectively, although competition from the far east is growing.

Total production in 1995 was 944 351 tonnes, of which around 60% was in the form of drinking glasses. Although this accounted for about 3.94% of total glass production in tonnage terms, it is much more important than this share would indicate, considering its potential selling price, which can be very high.

The glass tableware industry is represented at European level by European Domestic Glass (EDG) for crystal and hand made glass, and by the Fédération européenne du Verre d'Emballage (FEVE) for mechanically produced glass, although contacts with producers of the latter are limited. Both are in turn affiliated to the Comité Permanent des Industries du Verre de la CE (CPIV).

The EDG has members in most Member States, although it has never managed to establish any links in Spain or Portugal, and there is no production in Luxembourg. Where it does have members, it estimates that it represents around 80% of the industry, i.e some 86 companies. The majority of these companies have just one producing plant, but there are some with more than one plant, sometimes in more than one Member State, such as Durobor (B/UK), Saint-Gobain(F/D).

Developments in the sector are closely linked to changes in life style, disposable income, and personal taste. Other factors which have been important over recent years include:

- increasing mechanisation, which has brought with it a significant fall in prices and extended product ranges
- new forms of distribution, particularly mass distribution
- new technological needs linked to the rapid spread of dishwashers and microwave ovens
- competition from metal, ceramics, and plastics, particularly in kitchenware.

B. Trends in production and apparent consumption

Although EDG estimates that it represents about 80% of glass tableware production, the statistics which it has available are very patchy - its members are often reluctant to give out what they consider to be commercially sensitive information. Therefore, the figures given for apparent consumption trends over recent years are CPIV estimates covering EUR 11 (without Spain, and, for the sake of historical comparison, without the three newest EU members). Production figures also refer to EUR 11 and also come from CPIV.

In terms of production of glass tableware, after a high year in 1991, levels fell by 6% in both 1992 and 1993, picked up again in 1994 (+6%), and fell back by 2% in 1995. Much of the improvement seen in 1994 was export-led since apparent consumption in the EU continued to go down. In 1995, apparent consumption grew again by 1.5%, whereas exports fell back by 2.6%.

Latest figures available on EU production and apparent consumption levels are given overleaf.

Tonnes, except where otherwise stated

	1991	1992	1993	1994	1995
Production	1032000	967000	911000	963229	944351
EU Exports	358074	299372	301979	368539	358643
EU Imports	121509	135292	149851	149353	175507
Apparent Consumption	795435	802920	758872	750043	761215
EU sales on domestic market	673733	668029	609374	600784	585708
EU market share	84.7%	83.2%	80.3%	80.1%	77.0%
Imports market share	15.3%	16.8%	19.7%	19.9%	19.9%
Direct employment	15428	15366	15212	15000	15000*

Source: Imports/exports: COMEXT

Production, employment and n° companies: CPIV

Imports market share is calculated on apparent consumption.

* estimate

C. Trends in imports and exports

Given that glass tableware and crystal are products which can be transported over long distances viably under normal market conditions, EU producers are very dynamic on export markets, and have a traditional long term presence in a number of them. Exports regularly account for a third of all products produced in the EU. The main exports are in the top end of the quality and design range. Higher value-added products are, therefore, a significant part of the business.

In 1995, EU producers exported over 38% of their total production, which constitutes a steady increase since 1987, when producers were exporting about 30% of their production.

Below is a breakdown of the principal sources of EU imports of glass tableware in 1995 (EUR 12), as well as the main destination countries of EU glass tableware exports.

	EU Imports		EU Exports	
	Tonnes	% total imports	Tonnes	% total exports
Turkey	36252	21.71	10084	3.07
Poland	25243	15.12	18444	5.62
Czech Rep.	24486	14.67	3809	1.16
Indonesia	13970	8.37	268	0.37
Slovenia	11005	6.59	2518	0.77
Romania	8420	5.04	268	0.08
China	6822	4.09	668	0.20
USA	6186	3.71	75865	23.11
Total Extra EU	166960	100.00	328299	100.00

Whilst certain producers, such as in Turkey or in eastern Europe, increased their overall share of imports into the EU, the share from China was halved in 1995 from over 8% in 1994. At the same time, EU glass tableware producers have increased their exports to China from 179 tonnes in 1994 to 668 tonnes in 1995, just 0.20% of all EU glass tableware exports.

Chinese producers have long had a traditional presence on the EU market for glass tableware, with a period, between 1990 and 1993, of increasing tonnages coming in at low prices, but with a subsequent and steady decline from 1994 onwards. In addition, by far the largest share (approaching 100%) of all imports of glass tableware from China are plain, simple glass products, i.e. not glass ceramics, not lead crystal, and most of it is machine produced. That is, it is the most basic quality, bottom of the range, glassware products.

D. Prices

The principal point of concern to the EU glass tableware sector is the low prices being practised by Chinese exporters, which do not appear to be based on cost considerations, but on Chinese needs for foreign currency. In this case, it cannot be considered that normal market conditions prevail, China still being essentially a state-trading country.

Having said that, it is extremely difficult to get details on prices of Chinese imports. For this, there are two obvious sources: industry and COMEXT statistics. When a customer

is buying glass tableware, its source is not as immediately apparent, if at all, to the final customer as it is for ceramic tableware. Therefore numerous attempts have been made by industry representatives to get price-lists from importers of Chinese goods, and none has been successful. The traders approached have refused to give prices.

As stated previously, prices obtained by a simple calculation on the basis of COMEXT statistics are unreliable, since for the CN code heading 7013 as a whole for 1995, Chinese selling prices in the EU were higher than the selling prices which European producers were able to obtain in other Member States.

It is argued that Chinese selling prices are unlikely to be higher than EU ones, because:

- most of the glass products imported from China (97%) are mechanically produced, basic glass at the bottom end of the product range, commanding lower prices than higher value added products
- the average European price covers the whole range of chapter 7013, including higher value added products, such as crystal or engraved glassware, which commands a higher selling price; the average price can therefore be expected to be higher than the average for ordinary bottom-of-the-range glassware.

It should be concluded, therefore, that EU and Chinese prices of glass tableware cannot be compared since the available figures are not reliable and their respective products are not in competition.

E. Employment trends

In the period from 1980 to 1994, when total glass production went up by 34%, actual numbers employed went down by 30%. Much of this may be attributable to restructuring efforts on the part of glass makers over recent years, although it is not possible to quantify this. The glass tableware sector is highly labour intensive, and it seems likely therefore that a limited fall in employment can be attributed, at least in part, to the growth in cheap imports.

No figures are available to show employment by Member State and by sub-sector. The only figures where a split by Member State is available cover **total glass production of all glass products**. Over the last five years, trends in employment in the EU, and in the four main tableware producing countries (total production, all glass products), have been:

Year	EUR 12	Germany	France	UK	Italy
1991	223 464	71 736	37 309	45 094	21 500*
1992	219 458	69 737	36 601	44 904	21 000*
1993	221 611	74 000	35 283	46 817	19 500*
1994	208 770*	69 000	34 330	38 713	20 000
1995	n/a	n/a	n/a	n/a	n/a

* estimates

Figures relating to glass tableware alone are available on an EU basis only, and here the recent evolution has been:

1991	-	15 428	-1.1%
1992	-	15 366	-0.4%
1993	-	15 212	-1.0%
1994	-	15 000	-1.4%

Figures for 1995 are not available, but it is thought that there was very little change from the 1994 level of employment overall.

As to the biggest glass tableware producing countries, France, Germany and the UK, very little detailed information is available, but it appears that after a period of job losses from 1989 to 1994 due to structural adjustment, the employment situation has stabilised in the tableware sector.

F. Opinion of the Community Industry

The producers represented by CPIV believe that the quota should be maintained on the grounds that additional cheap imports would mean further loss of market share, the loss of business, and in the end the loss of production capacity and subsequent loss of jobs.

G. Opinion of the importers

FTA believes that due to a suppressed demand the impact of the quota in the glassware sector is less dramatic than in other sectors concerned. However, FTA still maintains that any quantitative restriction should be abolished.

H. Conclusion

The growing capacity of Chinese producers to export low-priced products in the EU remains a matter of concern for the glassware sector, which would still be sensitive to these imports.

However, given the low and falling market share and volume of the Chinese glassware imports in the EU, the continuation of a quantitative restriction does not appear to be fully justified.

Toys

CN 9503 41, 9503 49 et 9503 90

A. Situation of the Community toy industry1. Structure of the industry

The structural features outlined in the first report have changed little. More production units have closed, leading to a drop of around 1% in the number of firms.

2. Community production

On the back of stronger Community consumption, up 3% in 1995, the production of toys in the EU jumped 5%, enabling producers to maintain their EU market share at around 31% at a time of stagnating imports. Community toy manufacturers did, however, see their exports drop by over 10%.

The overall picture for products under Codes CN 9501 to 9505 is as follows:

ECU '000	1992	1993	1994	1995(x)
Production	3 110 412	3 033 146	2 879 777	2 966 170
Exports	961 588	1 076 856	1 220 209	1 071 486
Imports	4 954 520	4 828 483	4 326 595	4 230 665
of which imports from China	1 979 575	2 196 957	2 069 550	2 109 307
Apparent consumption	7 103 344	6 784 773	5 986.163	6 126 350
Market share of imports	69.7 %	71.2 %	72.2 %	69.1 %
Market share of imports from China	27.9 %	32.4 %	34.6 %	34.4 %

(x) EUR 12

3. Employment

Against this backdrop, the rate of job losses slowed, with a fall of around 1% in the workforce between 1993 and 1994.

Workforce	1990	1991	1992	1993	1994
Direct employment	71 065	68 336	65 012	61 906	61300

4. Current restructuring moves

Alongside efforts to improve production facilities, the industry saw further consolidation.

B. Sensitivity to Chinese imports

1. Import trends

Total toy imports from outside the EU fell back by 2.2% except for those from China, which rose 1.9%. However, non-quota toys from China, accounting for 76% of total imports, were up 27%, while those under quota were down 37%.

ECU '000	1992	1993	1994	1995 (x)
Toys under quota 1994	991 965	1 153 117	814 519	509 465
- 9503 41	260 117	302 919	247 764	171 348
- 9503 49	110 648	171 334	88 686	42 680
- 9503 90	621 200	678 864	478 069	295 436
Non-quota toys	987 610	1 043 840	1 255 031	1 599 842
Total	1 979 575	2 196 957	2 069 550	2 109 307

(x) Eur 12

A comparison of quota and non-quota imports clearly shows how well Chinese producers have been able to boost their exports to the Community: with no quantitative restrictions, imports have continued to rise very sharply, up 27% between 1994 and 1995.

2. Import prices

Compared to 1994, Chinese toys under headings 9503 41 and 9503 49 were cheaper in 1995 than those from other EU suppliers. For heading 9503 90, the prices of all the main suppliers were fairly similar.

The figures below show the Chinese are undercutting Community export prices although there are no figures for the ex-works price of Community products.

Average price of imports from China and of Community exports

(ECU/tonne)

Product		1992	1993	1994	1995
9503 41	EU	14 179	13 137	13 400	12 963
	China	7 737	7 831	7 314	6 249
9503 49	EU	9 172	9 736	9 420	9 137
	China	5 944	6 013	6 106	5 983
9503 90	EU	7 724	7 248	7 009	6 199
	China	5 116	4 812	4 926	4 911

The price of imports from China again fell in 1995, with a drop of 15% on the year for toys under heading 9503 41.

Another problem still faced by Community producers is counterfeiting: the Chinese seem to have done little to stamp out the practice and ways of tackling the problem have been slow to materialize.

C. Opinion of the Community industry and of importers

Toys Manufacturers of Europe (importers) and Fédération Européenne des industries du Jouet (producers), which represent almost the entire European toy industry have recently proposed the liberalisation of the importation of components for toys which fall within the quota. They believe this would be a means of stimulating employment in various EU countries based upon local assembly and other value-adding processes.

However, it should be noted that the toy industry's proposal is intended to exclude from the coverage of the quota, specifically, only the "components of toys which are meant to be subject to further industrial transformations (...) not to be sold as individual items to end customers". The Commission believes that such definition would entail management difficulties for the national customs authorities due to possible diverging interpretations, and therefore proposes the exclusion from the quota of "components of toys", with no further specification.

D. Conclusion

The toy sector remains sensitive to the absolute and relative volume of Chinese imports, their low prices and the export potential of Chinese producers. Improvements to the quota system will probably lead to further inroads for these imports, making continued controls all the more necessary.

III. Conclusions

From the information it has gathered the Commission has drawn the following conclusions:

1. The sectors covered by the quantitative restrictions have made efforts that have borne fruit in terms of restructuring production and improving the quality of the products under quota. However, while the European producers are continuing in this effort the sectors concerned remain sensitive.

- The overall situation is precarious: all these industries are affected in varying degrees by stagnating production, declining sales and exports, closures and job shedding.

- Most are labour-intensive, fragmented industries that are particularly vulnerable to competition from low-cost countries and have already lost a large share of the Community market to them.

- Most are engaged in restructuring exercises which look promising but are costly and difficult to carry out - a waive of low-priced imports would condemn them to failure.

- Some have relocated part of their production, are considering doing so, or have subcontracted work in low-cost countries in order to reduce costs and so compete with these low-cost countries.

2. Chinese competition in these sectors remains a real threat:

- China has enormous - and growing - production and export capacity in the sectors covered by quantitative restrictions and its exporters would, in their absence, soon be in a position to unleash huge quantities on the Community market.

- Imports from China had already seized sizeable market share, or were in the process of doing so, when quantitative restrictions at Community level were introduced.

- The prices of imported Chinese products remain much below those of comparable Community products. They are also well below those of other Community suppliers. The extent of this undercutting is such as to give Chinese producers the means of disrupting the Community market.

- Frequent occurrences of counterfeiting in the case of some products further distort competition.

- An additional consideration is the particular nature of the Chinese economy. China has been striving, over the last few years, to liberalize its trade regime and open its economy to the world. Although these measures represent important steps forward, they are still clearly insufficient to make the Chinese trade system compatible with internationally accepted rules. The Chinese authorities still

exercise great influence on the operation of the Chinese industry: e.g. artificially low prices that do not reflect the real economic cost of the products concerned and export strategies that are governed by not strictly commercial considerations. On the import side, China maintains high tariffs on many consumer products, but the more prohibitive restrictions stem from non-tariff barriers such as quotas, licence requirements, restrictions on foreign currency and technical barriers. Products may be imported only by foreign trade corporations that are authorised, and essentially controlled, by the Central Government.

There is thus reason to believe that the abolition of quantitative restrictions would lead to a renewed upsurge in imports from China and a further dangerous weakening of the market position of the Community industry concerned, with the exception of glassware for which such outcome is less likely.

In light of the above, the Commission believes that the reasons that led the Council to introduce the quantitative restrictions covered in this report are, excluding glassware, overall, still valid.

CHAPTER 3

IMPLEMENTATION AND MAINTENANCE OF SURVEILLANCE MEASURES

I. Purpose of surveillance measures

The Council introduced these measures to keep imports of a variety of products under closer observation in cases where the trend gave cause for concern but was of no immediate danger to the Community industry.

II. Implementation

Prior Community surveillance is carried out through a system whereby licences are automatically issued free-of-charge for any quantity requested within five days of the lodging of a request by a Community importer.

Regulation (EC) No 519/94 brought in a standard simplified Community surveillance document which reduced to a minimum the formalities to be accomplished by importers and Member States in connection with imports under surveillance.

In April 1996, following the conclusions contained in the Commission's first report, the Council decided by its Regulation (EC) No 752/96:

- to remove a range of products of which the imports in 1994 were negligible or lower than in 1993, from the list of products subject to Community surveillance;
- to insert certain products in respect of which quotas were abolished (gloves and combined car radios) in the list of products subject to prior Community surveillance.

Unfortunately, despite repeated requests, many Member States still either do not provide the information they were supposed to give on the issue of surveillance documents or provide only partial information or give it too late (with the exception of footwear), so depriving the surveillance system of much of its usefulness.

III. Trends in imports of products under surveillance

The table below gives import figures, in thousands of ecus, for products under surveillance in 1995, excluding footwear, and sets them against the 1994 figures.

CN code	Description	1994	1995	Imports China/Extra- EC (1995)
1901 90 90	Food preparations	2.408	1.897	5,48%
2827 10 00	Ammonium chloride	1.083	1.307	77,78%
2905 49 90	Other polyhydric alcohols	1.716	3.463	31,48%
2918 14 00	Citric acid	28.380	21.313	56,03%
2941 30 00	Tetracyclines and their derivatives	38.101	48.402	58,18%
2941 40 00	Chloramphenicol	9.736	7.786	89,48%
3204 13 00	Basic dyes....	7.815	7.773	27,84%
3204 15 00	Vat dyes ...	5.034	9.927	17,59%
3604	Pyrotechnic articles	41.578	67.210	77,50%
3905 20 00*	Polyvinyl alcohols	15.748	19.711	18,69%
4203 29 91	Gloves	4.764	5.513	22,45%
4203 29 99	Gloves	4.992	4.041	12,13%
6913 10	Ornamental articles of porcelain	94.126	75.303	68,22%
7004 90	Other glass	3.485	3.223	8,92%
7901 12	Zinc, not alloyed ...	0	0	0%
8527 21	Car radios	63.696	35.174	4,93%
8712 00	Bicycles	1.661	2.001	0,42%
9503 30	Construction sets	33.687	50.884	20,48%
9503 60	Puzzles	5.201	6.163	31,82%
9504 40	Playing cards	2.318	2.592	24,73%
9603 29	Brooms and brushes	14.476	20.235	41,94%
9603 30	Brooms and brushes	5.068	7.037	24,22%
9603 40	Brooms and brushes	15.174	17.895	67,27%
9603 90	Brooms and brushes	12.267	15.857	28,58%

Source : EUROSTAT

* formerly 3905 30 00

In the case of footwear imports Eurostat figures do not distinguish between those under surveillance and those not, so the Commission can only refer to the surveillance documents issued in 1995:

ex 6402 99	1 517 290 pairs
ex 6403 91 et 99	10 331 353 pairs
ex 6404 11	4 466 577 pairs
total	35 781 669 pairs*

(*) 1. including 19 466 449 pairs for Italy, for which the breakdown by category is not known.

2. Germany has not provided data from the end of July 1995 to December 1995.

IV. Should surveillance measures be maintained?

The figures provided here show that imports of a range of products have increased significantly. The Commission believes that prior surveillance should be maintained for these products.

In the case of other products (CN codes 1901 90 90; 7004 90; 7901 12; 8527 21) where imports are insignificant or down on 1994, the Commission believes it unnecessary to maintain surveillance measures and so, with a view to reducing the administrative burden on both national administrations and importers, proposes that they be excluded from the list of products subject to such measures.

CHAPTER 4

CONCLUSIONS AND PROPOSALS OF THE COMMISSION

In view of the above, the Commission believes that the system of quantitative restrictions and surveillance measures set up under Regulation (EC) No 519/94 should be maintained but with the following adjustments.

1. Quantitative restrictions

- Abolition of the quota on Glass tableware (CN 7013).
- Exclusion of "components of toys" from the quota on toys.

2. Surveillance measures

The proposal is to end surveillance on products falling within CN codes 1901 90 90, 7004 90, 7901 12, 8527 21 and to include Glass tableware (CN 7013) among the products under surveillance.

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