european community
BACKGROUND INFORMATION
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BACKGROUND NOTE
NO. 28/1975
OCTOBER 2, 1975

COMMON MARKET FILES COMPLAINT ABOUT US INQUIRY INTO CAR-DUMPING

The US investigation to determine whether or not cars produced in the European Community are being sold at unfair value in the United States "calls into question the usefulness of pursuing futher efforts in multilateral trade negotiations," according to the EC Commission.

In a strongly worded aide memoire delivered October 1 to the US Department of State, the Commission stressed that:

- Imports of EC automobiles into the United States are reasonably priced and are manifestly not injuring the US auto industry. The compact and subcompact section of the US automotive industry -- the only one where EC cars compete directly with US production -- is prospering despite the industry's general recession.
- The compact and subcompact section of the US automotive industry, the only one where EC cars compete directly with US production, is prospering, despite the industry's general recession.
- Factors other than imports are hurting the US car industry -- the economic recession, the energy crisis, and delayed reponse by manufacturers to the shift in consumer demand to fuel-efficient smaller models.

• The investigation is inconsistent with the Anti-Dumping code within the General Agreement on Tariffs and Trade (GATT) signed by the United States as well as the Community.

Obligations Under the GATT Anti-Dumping Code

Article 5 (a) of the GATT Anti-Dumping Code says that an investigation may be opened only in two circumstances:

• "normal" circumstances, at the request of an industry. The current investigation was initiated at the request of the United Automobile Workers and Congressman John H. Dent (D-Pa.), and not by a manufacturer

• "special" circumstances in which, without any complaint from the industry, a government has evidence both on dumping and on the resulting injury. These preconditions did not both exist, since the US Treasury, when asking the International Trade Commission (ITC), the US body responsible for determining injury, for a preliminary determination stated that there was "substantial doubt" as to injury.

Article 3 (d) requires injury due to dumped imports to be assessed in relation to the domestic production of like products. Available production data shows that US small car production is prospering despite the industry's current difficulties. (See Annex.)

Article 3 (a) requires the investigators to be satisfied that the dumped imports are "demonstrably the principal cause of material injury or of threat of material injury" and to weigh heavier than "all other factors taken together which may be adversely affecting the industry." No such demonstration has been made in this investigation.

Article 5 (b) requires the evidence of both dumping and injury to be considered simultaneously. In this investigation, the US Department of Treasury will first make a tentative determination of whether dumping has occurred, a process which can take six months from August 8, when the case was opened, with a possible three months' extension. Treasury then has three months more to make a final determination of dumping. If Treasury finds that dumping has occurred, the ITC then has three months to determine whether dumping has injured US industry. While the ITC completes its investigation, Treasury must withhold customs appraisement. The uncertainty this action would raise in the minds of both importers and exporters would seriously disrupt trade and cause additional harassment and legal expenses, including further delays in the liquidation of customs entries.

The Community has expressed its "grave concern" over this prospect in this aide memoire and at the September 25 meeting of the Council of the General Agreement on Tariffs and Trade (GATT) in Geneva. At the request of the Community, the GATT's Antidumping Committee has moved a meeting, originally scheduled for the end of the year, to October 21 to consider the Community's complaint.

"This investigation is one of several cases where action has been threatened against imports from Europe and which have been giving rise to concern in the Community. As the Commission stated in connection with the recent petition for countervailing duties on imports of steel from the Community, the Commission "looks to the United States administration to respect its international obligations and to exercise its general responsibility, with other members of the international community, to control the forces of protectionism." (Press communique IP (75 161 of September 22 issued in Brussels and Press Release no. 11/1975 issued in Washington on the same date.)

Some Relevant Trade Figures

Total US imports of cars during 1974 amounted to $7.5 billion. Domestic US production during the same period totaled $20.8 billion. Community exports to the United States amounted to $2.5 billion, originating as follows: Germany, $1.9 billion; Italy, $240 million; the United Kingdom, $156 million; France, $46 million.

The largest single non-Community exporter to the US market was Canada ($3 billion), followed by Japan ($1.7 billion), and Sweden ($227 million).

ANNEX

THE US MARKET AND EC AUTO EXPORTS -- SOME FACTS AND FIGURES

1. US automobile sales (from all sources) have been falling since their peak in 1973. At the same time, the market share of imports (from all sources) has risen from 15.1 per cent in 1973 to 20.2 per cent in the first seven months of 1975. See Table 1.

2. In 1974, stocks of imported cars built up and were run down by exceptional discount sales in 1975.

3. The recession and the shift in consumer demand to compacts and subcompacts explains sales trends for foreign cars in the United States. American producers are just beginning to respond to this change in demand. See Table 2.

4. The American sales position is stronger than it would first appear if imports of cars produced abroad by companies in which Americans hold the controlling interest are taken into consideration. Between 1971 and 1974, more than 13 per cent of US auto imports were produced abroad by subsidiaries of the three biggest US manufacturers. See Tables 3 and 4.

5. The American market for imported cars is highly competitive, and each foreign producers' market share is negligible in comparison with the three main American producers. See Table 5.

6. Imports do not compete with traditional American car production. American consumers benefited from competition provided by imports. Senior Brookings economist C. Fred Bergsten told the Trade Policy

Staff Committee on July 28: "...it was imports which finally persuaded the US automobile industry to at least begin manufacturing smaller cars -- without which the energy crisis would be costing us even more dearly, in terms of both jobs and prices..."

TABLE I

Sales of New Cars in the United States (in millions of units)

	1973	1974	1974 Jan.-Jul.	1975 Jan.-Jul.
Total	11,439	8,871	5,241	4,888
National production*	9,676	7,454	4,448	3,898
Imported cars	1,763	1,417	793	990
Imports' market share	15.4%	15.9%	15.1%	20.2%

*Includes US models produced in Canada
Source: US Department of Commerce, Survey of Current Business

TABLE 2

Sales of New Cars by Type (percentages of total US market)

Domestic	1970	1971	1972	1973	1974	Jan.-Jul. 1975
Subcompact	1.8	7.4	8.2	9.4	8.9	8.1
Compact	13.4	11.4	12.3	14.0	17.4	18.4
Sport	6.5	4.3	2.8	3.9	6.8	7.9
Passenger Van	0.6	0.6	0.7	0.8	1.0	1.2
Intermediate	22.2	19.6	21.2	21.6	22.7	21.5
Regular	34.1	33.4	31.8	29.3	21.9	17.1
High	6.2	8.1	8.2	5.6	5.3	5.4
Imports	15.2	15.2	14.8	15.4	15.9	20.3
Grand Total	100.0	100.0	100.0	100.0	100.0	-

Source: Motor Vechicle Manufacturers Association of the United States, Inc.

TABLE 3

Production of Motor Vehicles* in 1973 (in thousands of units)

Country	National Production	Production Abroad by US Subsidiaries	Percentage of Total Production
France	3,597	526	15
Germany	3,954	1,330	33
United Kingdom	2,163	1,134	52
Canada	1,575	1,560	99

*cars, trucks and busses

Source: US International Economic Report of the President -- March 1975
Statement of Motor Vehicle Manufacturers Association of the United States presented by W.D. Eberle -- March 1975.

TABLE 4

US Sales of Cars Produced Abroad by Subsidiaries of the Three Major US Manufacturers

	1972	1973	1974
Chrysler	49,158	40,342	42,925
Ford	93,547	114,900	76,490
General Motors	69,407	68,400	59,279
A Total	212,112	223,642	178,694
B Total sales of imported cars	1,586,001	1,738,944	1,401,776
(A/B)	13 4%	12.9%	12.7%

Source: Compiled from US Department of Commerce, Bureau of the Census data

TABLE 5

Origin of US Car Imports in 1973

Country	Thousands of Units	Percentage of Total Imports	Percentage of Total Sales (11.435 m)
Canada	871.5	35.7	7.6
Belgium	71.5	2.9	0.6
France	8.2	0.3	-
Italy	56.1	2.3	0.5
Japan	624.8	25.6	5.5
Sweden	58.6	2.4	0.5
United Kingdom	64.1	2.6	0.5
Germany	677.5	27.8	5.9
	2,432.3	99.6	21.1
Others	5.0	0.4	
Total	2,437.3	100.0	21.3

Source: Based on statistics compiled by the Motor Vehicle Manufacturers Association of the United States, Inc.

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October 15, 1975

CORRIGENDUM TO BACKGROUND NOTE NO. 28/1975

The attached tables should be substituted for the original pages i, iii, and v.

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