

27 March 1951

**GENERAL AGREEMENT ON TARIFFS AND TRADE**

Report on the Withdrawal  
by the United States of a Tariff Concession  
under Article XIX  
of the General Agreement on Tariffs and Trade

**October, 1951**

**THE CONTRACTING PARTIES  
TO THE  
GENERAL AGREEMENT ON TARIFFS AND TRADE**

**GENEVA, NOVEMBER 1951**

## PREFACE

In October 1950, just before the CONTRACTING PARTIES<sup>1</sup> to the General Agreement on Tariffs and Trade gathered at

's wear of a certain description and within a certain price range - were being imported in increased quantities and under such conditions as to cause serious injury to domestic industry. The Commission had reached the

This report was examined by the CONTRACTING PARTIES at their Sixth Session in September-October 1951. The Czechoslovak representative did not agree with the conclusions of the report. Except for this dissension the report was approved by the CONTRACTING PARTIES as embodying their collective view, and it was agreed that, because of its value in relation to the interpretation of Article XIX of the General Agreement, the text of the report should be published.

*Geneva, November 10, 1951.*

E. WYNDHAM WHITE,

*Executive Secretary,  
Interim,*

**REPORT ON THE WITHDRAWAL BY THE UNITED STATES OF A  
TARIFF CONCESSION UNDER ARTICLE XIX OF THE  
GENERAL AGREEMENT ON TARIFFS AND TRADE**

*27 March 1951 - CP/106*

I. INTRODUCTION

1. According to its terms of reference, the Working Party examined "the contention of the Czechoslovak Delegation that, in withdrawing item 1526 (a) from Part I of Schedule XX, the United States has failed to fulfil the requirements of Article XIX". The Working Party had at its disposal the following documents:

- (a) a communication from the Acting Chairman of the United States Delegation dated October 19, 1950 (see Appendix A);
- (b) a memorandum of the Czechoslovak Delegation dated November 7, 1950 (see Appendix B);
- (c) the record of the discussion in the plenary meetings of the CONTRACTING PARTIES;
- (d) *Women's Fur Felt Hats and Hat Bodies*, a report of the United States Tariff Commission dated September 1950;
- (e) a statement by the Czechoslovak representative; and
- (f) additional data submitted at the request of the Working Party.

2. The United States representative also circulated to the other members of the Working Party a report prepared by the United States Tariff Commission on the "Procedure and Criteria with respect to the Administration of the 'Escape Clause'". The Working Party took note of this document only insofar as it indicated the methods followed by the Tariff Commission in their investigation, and did not consider it to be part of its task to comment

- (b) The suspension of an obligation or the withdrawal or modification of a concession must be limited to the extent and the time necessary to prevent or remedy the injury caused or threatened.
- (c) The contracting party taking action under Article XIX must give notice in writing to the CONTRACTING PARTIES before taking action. It must also give an opportunity to contracting parties substantially interested and to the CONTRACTING PARTIES to consult with it. As a rule consultation should take place before the action is taken, but in critical circumstances consultation may take place immediately after the measure is taken provisionally.

### III. EXISTENCE OF THE CONDITIONS REQUIRED FOR ACTION UNDER ARTICLE XIX

5. For the purposes of this section the Working Party based itself mainly on the figures and other factual data contained in the Tariff Commission report; the Czechoslovak representative stated that he did not dispute the accuracy of these data, but that he could not agree with the conclusions

7. *Existence of unforeseen developments: relation of these and of the tariff concession to imports.* The concession granted at Geneva was substantial. Taking a simple average for the four value-brackets from \$9 to \$24 per dozen the duties as from January 1, 1948, were 32.3 per cent less than the rates of the 1930 Tariff Act<sup>1</sup>.

8. The United States representative stated that about the time the duties were reduced there was a style change greatly favouring hats with nap or pile finishes, a development which was not and could not have been foreseen at the time the concession was granted. As a result of that style change hat bodies with special finishes were imported in increased quantities and represented more than 95 per cent of the imports of women's fur felt hats and hat bodies in 1949 and in the first six months of 1950. The increased popularity of special finishes, which, as compared with the plain felt hats require much larger amounts of hand labour, which is more expensive in the United States than in the exporting countries, created a special problem for the United States producers who were not in a position to adapt themselves to the change in demand in view of a severe competition from imports. He stated that the United States negotiators at Geneva, while realizing the shifting fashions in the hat trade and expecting some increase in imports, had not been aware of the extent that this particular change in taste had then reached in Europe and had not foreseen the degree of the future shift to special finishes or the effect which it, together with the concession, would have on imports. He considered this statement was sufficient to show unforeseen developments.

9. The Cze

(d) it was known to the United States negotiators in Geneva in 1947 that Czechoslovakia had for long had an important and special interest in the export of hat bodies with velours and other special finishes, had obtained a concession for this type of hat body in a pre-war trade agreement with the United States of America, and was desirous of obtaining once more a tariff concession on this particular type of hat body. The United States representative agreed that this is the case;

(e) the United States negotiators in 1947 should accordingly have foreseen 8 11 Tf(case;) TjETy884 693.72 Tm/

- (iii) In consequence, imported supplies of special finishes were more attractive in price and quality in comparison to the generality of domestically produced special finishes to such an extent that overseas suppliers were able to secure by far the greater part of the increasing United States market for special finishes; and the volume of imports increased accordingly. Furthermore, the concession had the effect of reducing the price differential between imported special finishes and the better quality of plain felt hat bodies produced



15. A substantial percentage (estimated at over 20 per cent in 1949 and at over 30 per cent in the first six months of 1950) of the apparent demand for hat bodies shifted to special finishes. 80 per cent of imports in 1949 were of these special finishes. As the total consumption did not increase substantially it would appear likely that in 1949 and the first six months of 1950 the imported hat bodies with special finishes replaced to some extent plain felt hat bodies which would have normally been supplied by domestic producers.

16. No data were available to assess the financial losses which firms producing felt hat bodies may have suffered from the increase in imports. In the industry as a whole the production of women's hat bodies represents about 25-30 per cent of the total production of hat bodies and hats, and it has not been possible to separate the financial results of the production of women's hat bodies from that of men's hat bodies and hats.

17. Inquiries by the United States Tariff Commission, however, showed that ten out of fourteen manufacturers questioned by it stated that they could not make hat bodies in special finishes at prices competitive with imports.

18. As regards the effects of increased imports on employment, the figures show a decrease in the number of productive workers on felt hat bodies (men's and women's) during the period 1947 to 1949. This reduction was substantial between 1948 and 1949 as indicated below:

*Productive Workers Engaged in Making Fur Felt Hat Bodies*

	1947	1948	1949
Average number of workers . . . .	4,383	4,349	3,717
Percentage decline as compared with 1947 figures . . . . .	-	1%	15%

19. It is not practicable to segregate employment in the production of women's hat bodies from that in the production of men's hat bodies and hats. Moreover it was difficult to estimate to what extent the reduction in employment is due to increased imports of women's hat bodies and to what extent due to other factors including those affecting the production of men's hats. According to the findings of the United States Tariff Commission a considerable part of this reduction was attributable to increased imports, and this would seem to be supported by the substantial decrease in production of women's hat bodies in 1949 and in the first half of 1950.

20. This evidence of decline in employment should be viewed in the light of the particular vulnerability of workers in this industry to small declines in production and employment. Over 80 per cent of the workers are either skilled or semi-skilled, and their age is in general high. Thus a large majority of those employed would appear to be skilled workers with families dependent upon them. The social difficulties of a decline in employment in the industry would be

21. The Czechoslovak representative maintained that neither the data submitted by the United States representative nor the actual developments in the United States hat industry during the decisive period 1947-1950 proved that there was any injury or threat of it to the workers, by far the largest group of producers:

- (a) The figures for changes in the average number of productive workers employed in the fur felt hat bodies industry were not conclusive. The comparison with the pre-war situation had to be discarded as the whole structure of the industry was admittedly on a different footing after the war. The United States figures for employment in different sections of the United States hat industry were based on estimates and did not show how the average was computed or whether seasonal workers were included.
- (b) The downward trend of employment which was slight in 1948 and more marked in 1949 was attributed by the United States authorities investigating the situation largely to factors other than the influence of increased imports. Nothing definite was adduced to support the view that the increased imports had some effect on employment. The report of the Tariff Commission admits that "the proportion attributable to that factor cannot be estimated with any degree of precision".
- (c) The conclusion as to whether there was any injury to the workers caused by the increased imports should necessarily take into account not only the decrease in average numbers employed but also the actual figures of unemployed hat workers. These figures were not available. The decrease in employment in the areas concerned was attributed largely to other factors than increased imports. The contention that there was a causal relationship between the increased imports in hat bodies with special finishes and the employment situation in the United States hat industry remained extremely doubtful.
- (d) The assumption of the United States representative that the decrease in employment probably affected the skilled and older workers was not substantiated by any evidence. On the contrary, it would be more reasonable to assume that the skilled workers were not affected at all since the domestic production of hat bodies with special finishes, requiring a larger number of skilled workers, admittedly increased. The statistics of employment showed an upward trend in employment during the period.

	<i>Production (in thousand dozen)</i>	<i>Increase compared with the previous year</i>	<i>Index in comparison to 1948</i>
1947 . . . . .	no production	-	-
1948 . . . . .	15	-	100
1949 . . . . .	25	66%	166
1950 . . . . .	100 <sup>1</sup>	400% <sup>1</sup>	666 <sup>1</sup>

The comparison between the rate of increase in imports and the rate of increase in the domestic production of hat bodies with special finishes shows that domestic production had increased in higher proportion

(b) The United States contention that the domestic production of plain felt hat bodies was "to some extent" affected by the

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might have to be utilized before any lower rates of duty could again be applied to women's felt hat bodies. Moreover, the consultations with two contracting parties under paragraph 2 of Article XIX would in all probability result in agreement with respect to compensatory adjustments, and if the concession were restored at a later date it would bring in question continuation of such adjustments.

37. As regards the case under review, the other members of the Working Party were of the opinion that the evidence pointed rather to temporary difficulties in the industry and did not exclude the possibility of a successful adjustment in the near future which would enable producers to dispense wholly or in part with the additional protection afforded by the action taken under Article XIX.

38. The domestic production figures for the first eleven months of 1950 showed that the downward trend which influenced the United States authorities in September to conclude that a serious injury had been caused or threatened had been arrested, at least temporarily. It was generally agreed that no firm conclusion could be drawn from these data, since the second half of 1950 has to be considered in many respects as abnormal. These facts, however, provide additional reasons for considering it desirable that the position should be kept under review, in order that the 1947 tariff concessions may be wholly or partially restored, as required by Article XIX, if and as soon as the United States industry is in a position to compete with imported supplies without the support of the higher rates of import duty.

39. As regards the technical difficulty about compensatory adjustments, the French and Italian representatives expressed the view that this was not insuperable, and stated that they could be prepared to restore the balance of the concession if the United States Government decided later that it could restore the concession on hats and hat bodies.

#### V. PROCEDURAL REQUIREMENTS OF ARTICLE XIX

40. Paragraph 2 of Article XIX requires that a contracting party proposing to take action under the Article shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable. The report was made by the Tariff Commission to the President



43. Although agreement was not reached with all the interested parties in the course of consultations, the United

soon as it becomes clear that its continued complete withdrawal cannot reasonably be maintained to be permissible under Article XIX.

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APPENDED TABLE

*Women's fur felt hat bodies: recent changes in United States rates of duty on the value-brackets affected by the action under Article XIX*

*Table showing the principal foreign suppliers of United States imports of women's fur hats and hat bodies*

Value-Bracket (Per dozen)	Tariff Act of 1930 and position in 1951: <i>ad valorem</i> equivalent of the compound duties		<i>Ad valorem</i> rate at middle of bracket		Per cent reduction 1930-1948	Per cent increase 1948-1951
	At bottom of each bracket	At top of each bracket	1930 Act and 1951	1948		
\$9-\$12	80.6	66.7	73.65	55.0	25.3	33.9
\$12-\$15	75.0	65.0	70.00	47.5	32.1	47.4
\$15-\$18	71.7	63.9	67.80	47.5	29.9	42.7
\$18-\$24 <sup>1</sup>	75.0	62.5	68.75	40.0	41.8	71.9
Simple average . . . . .					32.3	49.0

<sup>1</sup>The rate on this bracket was reduced by the 1938 trade agreement with the United Kingdom to 50 per cent ad valorem. The withdrawal of the Geneva concession restored the rate to the level of the Tariff Act of 1930.

APPENDIX A

**COMMUNICATION FROM THE ACTING CHAIRMAN OF THE  
UNITED STATES DELEGATION DATED OCTOBER 19, 1950**

I am instructed by my Government to inform the CONTRACTING PARTIES that an investigation by the United States Tariff Commission has resulted in the following findings:

1. That as a result of unforeseen developments and of the effect of the tariff concessions granted thereon by the United States in the General Agreement on Tariffs and Trade, hats, caps, bonnets and hoods, for women's wear, trimmed or untrimmed, including bodies, hoods, plateaux, forms, or shapes, for women's hats or bonnets, composed wholly or in chief value of fur felt and valued at more than \$9 and not more than \$24 per dozen, which products are described in item 1526 (a) of Part I of Schedule XX (original) of the said General Agreement, are being imported into the United States in such relatively increased quantities and under such conditions as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such serious injury;
2. That the withdrawal in whole of the tariff concessions granted in said General Agreement on the foregoing products, without specified time-limit as to its duration, is necessary to prevent continuance of such injury; and that such withdrawal would afford much greater relief to the domestic producers if the effective date of such action were prior to December 1, 1950, than if it were later.

Among the circumstances which have led the Tariff Commission to make these findings are the following:

1. Imports of women's fur felt hat bodies since the reduction in duties in 1948 have supplied a progressively larger share of the domestic consumption of such articles; the domestic production has been materially smaller than before the war. Whereas imports throughout the 1930's and in immediate post-war years were equivalent to less than 5 per cent of production, they were equivalent to 7.2 per cent of production in 1948 (the first year following the reduction in duty); 21.4 per cent in 1949; and 30.5 per cent in the first six months of 1950. The reduction in the domestic output of women's fur felt hat bodies since the pre-war years has been due in large part to the decline in the total domestic consumption of such hats, resulting from the increasing practice of going without hats. Increased competition from imported hat bodies has, however, also contributed substantially to the decline in domestic output.
2. Before the war nearly all of the domestic production of women's fur felt hat bodies, and the larger part of the imports in most years, consisted of hat bodies of plain felt. About the time the duties were reduced there was a style change greatly favouring hats with napped or pile finishes (such as velours and suedes). Increase in the supply of hat bodies having these special finishes began in the import trade and later extended, in much smaller proportion, to domestic production. It is estimated that in 1949 and the first six months of 1950 more than 95 per cent of the imports consisted of these special finishes, whereas hat bodies of that type represented 6 or 7 per cent of the domestic production. Much the greater part of the consumption of hat bodies of these special finishes has been supplied by imports. Imports of hat bodies of these special finishes have to some extent affected domestic production of hat bodies of plain felt, particularly those in the higher-priced ranges. More especially, however, these imports have severely limited the establishment and expansion of domestic

production of these special finishes. Domestic producers are not confronted with any technical obstacles in shifting their production from plain felt hat bodies to velours and other special finishes; the latter finishes, however, require much larger amounts of hand labour than the plain bodies.

3. With respect to women's fur felt hat bodies corresponding to an import value of more than \$9 and not more than \$24 per dozen, there is direct and sharp competition between the imported and domestic products, particularly those with special finishes. This price range comprises the great bulk of the imports. It is the marked recent increase in imports within this middle range of values which has caused serious injury to the domestic industry. This injury has been steadily increasing since the concessions went into effect, and, unless the concessions are withdrawn, the injury will continue and perhaps become still more serious.
4. Women's fur felt hats are mostly for fall and winter wear, and imports and domestic production of women's fur felt hat bodies are highly seasonal. The peak period of production and sales of the domestic hat bodies occurs in June, July, and August, and that of the foreign hat bodies for the United States market somewhat earlier. Considerably in advance of the season, however, samples are made up and price lines are established. Usually as early as December or January preceding a season, price lines and samples are initiated by importers and early contracts are made. Under these circumstances, withdrawal of the concessions by December 1, 1950, is necessary to afford the most effective relief.

In accordance with these findings and pursuant to the provisions of Article XIX of the General Agreement, the Government of the United States finds it necessary to withdraw the concessions on the above-mentioned products. In view of the critical circumstances set forth above, which indicate that delay would cause further damage difficult to repair, it is necessary that a proclamation of the withdrawal be issued on or about November 1, 1950, to be effective December 1, 1950.

This action is being taken in accordance with the provisions of the last sentence of paragraph 2 of Article XIX, and my Government is prepared to afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the products concerned an opportunity to consult with it immediately in respect of the proposed action. There is attached a table showing the principal foreign suppliers of United States imports of these products.

It will be appreciated if you will inform the contracting parties immediately of this proposed action, and of my Government's willingness to enter into the required consultation at Torquay as soon as possible. A public announcement of the proposed action is being made today in Washington.

	<i>1937</i>	<i>1938</i>	<i>1939</i>	<i>1947<sup>2</sup></i>	<i>1948</i>	<i>1949</i>
Czechoslovakia . . . . .	20,168	24,270	2,683	396	20,601	48,395
France . . . . .	308	1,532	1,374	-	1,713	3,771
Italy . . . . .	64	26	90	8,646	13,539	53,537

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such conditions as to threaten domestic producers" and that the present tariffs are the cause of difficulties which may arise. We further maintain that it is not sufficient that the United States Delegation should limit itself to a single fact, i.e., the statement that the imports to the United States are rising, because, after all, the General Agreement aims at the extension of trade.

Since the customs reductions agreed upon at Geneva in respect of item 1526 (a) the tariffs have been 55 per cent and 47½ per cent ad valorem. It cannot be disputed that these are tariffs which, particularly in a country of such high industrial development as the United States, are enormous and provide sufficient protection. These tariffs, even though reduced, are, in themselves, at direct variance with the fundamental purpose of the Agreement, i.e., "a substantial reduction of tariffs".

In order to judge the extent of the customs protection in the United States on hats, we have selected analogous customs items of other countries as set forth in the documents of the Agreement. For the sake of simplicity and easier comparison, we have taken into account only countries whose tariffs are





APPENDIX C

**ITEM 1526 (a) IN PART I OF SCHEDULE XX (UNITED STATES)  
ANNEXED TO THE GENERAL AGREEMENT  
(effective until December 1, 1950)**

Tariff Act of 1930, paragraph	Description of Products	Rate of Duty
1526 (a)	<p>Hats, caps, bonnets, and hoods, for men's, women's, boys', or children's wear, trimmed or untrimmed, including bodies, hoods, plateaux, forms, or shapes, for hats or bonnets, composed wholly or in chief value of fur of the rabbit, beaver, or other animals:</p> <p>Valued at not more than \$12 per dozen . . . . .</p> <p>Valued at more than \$12 and not more than \$18 per dozen . . . . .</p> <p>Valued at more than \$18 and not more than \$30 per dozen . . . . .</p> <p>Valued at more than \$30 per dozen . . . . .</p> <p><i>Provided</i>, that none of the foregoing shall be subject to any additional duty under the last clause in paragraph 1526 (a), Tariff Act of 1930.</p>	<p>55% <i>ad val.</i>, but not less than \$1.25 per doz.</p> <p>47½% <i>ad val.</i></p> <p>40% <i>ad val.</i></p> <p>\$8 per doz. and 12½% <i>ad val.</i></p>

