COMMISSION REGULATION (EEC) No 1857/88

of 30 June 1988

instituting a system for the authorization of impots into France of footwear originating in South Korea or Taiwan

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 288/82 of 5 February 1982 on common rules for imports [1], as last amended by Regulation (EEC) No 1243/86 [2], and in particular Article 15 (1) thereof,

After consultations within the Advisory Committee set up by the above Regulation,

Whereas :

A. Procedure

(1) On 28 August 1987 the French authorities informed the Commission that imports into France of footwear originating in South Korea or Taiwan had increased and were continuing to increase in such quantities and in such manner that there was, or threatened to be, serious injury to the national industry.

(2) The French request was supported by evidence regarding the trend of imports and the terms on which they were taking place, in particular concerning prices. Information had also been supplied regarding the effects of such imports on the footwear industry.

(3) Having decided, after consultations, that the evidence in its possession was sufficient to justify an investigaion, the Commission accordingly announced, in a notice published in the *Official Journal of the European Communities* [3], the initiation of a Community investigation in respect of imports into France of the products concerned originating in South Korea or Taiwan, and commenced the investigation.

(4) The Commission officially informed the producers and importers known to be concerned and gave all interested parties the opportunity to make known their views in writing and to request a hearing.

Arguments were presented on behalf of the French producers by the Fédération Nationale de l'Industrie de la chaussure de France and by the European Confederation of the Footwear Industries (CEC). Information was also supplied by French importers.

(5) In the course of its investigation, the Commission endeavoured to gather and verify all the information it considered necessary. It carried out on-the-spot checks.

The Commission selected the following producers as being most representative of the various types of footwear imported.

French producers

— Adidas, Dettwiller
— Bata, Moussey-Bataville
— Bopy SA, Beaupreau
— Cadet-Roussel, Merignac
— GEP — Groupe Pasquier SA, Montfaucon
— Hoki, Ingwiller
— Imbert, Miramont de Guiyenne
— Labelle SARL, Saint-Pierre-du-Vauvray
— Ets Maudouit, Blanquefort
— Ets Norbert Moche, La Ferté Macé
— Chaussures Noel, Vitre
— Patrick International SA, Pouzauges
— Ets Rondinaud, La Rochefoucauld
— Virona, La Verrie

French importers

— Chauss Europ SA, Le Havre
— Nike France, Cergy-Pontoise
— Netter & Cie, Paris

(6) The reference period for price comparisons was 1 January to 31 December 1987.

B. Products and industries concerned

(7) The investigation concerns footwear articles falling within Common Customs Tariff heading Nos 64.01 to 64.04 and specifically those corresponding to NIMEXE codes 64.01-11 to 64.04-90 and CN codes 6401 10 to 6405 90 90.

(8) The Commission examined whether it was appropriate, in order to determine the impact on French industry of imports of footwear originating in South Korea or Taiwan — which includes a high proportion of leisure and sports footwear — to classify footwear in distinct categories and to

[1] OJ No L 35, 9. 2. 1982, p. 1.
[2] OJ No L 113, 30. 4. 1986, p. 1.
[3] OJ No C 274, 13. 10. 1987, p. 3.

confine the assessment of the impact of imports originating in South Korea or Taiwan to French producers of the types of footwear concerned. The Commission investigation showed that, in addition to the practical difficulties arising on account of the incompatibility of import and production statistics and the uncertain clasification of products in those statistics, classification in subcategories was not justified because the various types of footwear are interchangeable.

On account of the said interchangeability, which was clearly demonstrated in the investigation, not only do imports from South Korea and Taiwan have a particularly serious impact on French producers of leisure and sports footwear, but that impact extends also to producers of other types of footwear.

For that reason the Commission decided that the impact of the imports on French producers as a whole should be considered in order to assess the injury caused.

(9) Notwithstanding the difficulties involved in classifying the various types of footwear in distinct categories, the investigation among the producers and importers concerned and new classification possibilities showed that certain very specialized types of footwear originating in the countries in question which were imported into France or produced there in negligible quantities could be excluded from the protective measures to be introduced.

C. Footwear

(10) The recent trend of footwear imports into France is a follows :

(millions of pairs)

	1984	1985	1986	1987
South Korea	8,7	8,7	11,5	23,1
Taiwan	5,5	8,6	12,0	15,3

This has resulted in an increase in the market share of imports from South Korea from 3,5 % in 1984 to 10,1 % in 1987, and of the market share of Taiwanese imports from 2,2 % in 1984 to 6,7 % in 1987. The growth of imports from Taiwan has, however, been restrained by the national quota applied during this period to some of the types of footwear which were the subject of the inquiry.

11. Resale prices on the French market of certain types of footwear imported from South Korea and Taiwan were about 69 and 60 % respectively below the prices charged by French producers.

This undercutting has forced French producers of leisure and sports footwear and of other footwear to cut their prices to a level which does not cover their production costs and to abandon market share to South Korean and Taiwanese exporters. The French producers' market share fell from 42,5 % in 1984 to 32,0 % in 1987. The situation of the French producers has deteriorated as a result and their financial results have been adverseley affected, with most of the firms concerned making losses which increased still further during the period of investigation.

The capacity utilization rate fell in France from 87 % in 1984 to 71 % in 1987. Employment has continued to fall, from 54 153 units in 1984 to 43 362 units in 1987.

The current attempt to restructure this sector could be severely compromised by the difficulties caused by extremely aggressive competition from imports originating in South Korea or Taiwan, particularly in terms of prices, which are such as to deprive the firms concerned of the finance needed to achieve that objective.

(12) Both the increase in imports from South Korea and Taiwan and the price charged for such imports are thus a cause of material injury to the French industry concerned. In view of the substantial production capacity existing in South Korea and Taiwan and the expiry at the end of 1988 of the existing quota for imports from Taiwan, there are also grounds for believing that, in the absence of adequate protective measures, the increase in imports from South Korea and Taiwan will continue at the present rate.

In order to eliminate this injury and to prevent further injury being caused to the French producers, it is therefore advisable to adopt urgently for this market protective measures which, while taking account of the need to hinder as little as possible the harmonious development of world trade, also allow the French firms concerned to pursue the efforts to modernize. These protective measures will apply from 1 July 1988 to 30 June 1990 in the case of South Korea and from 1 January 1988 to 30 June 1990 as regards Taiwan. In the case of this latter country for the year 1988, these measures supersede the national quota in force until 31 December 1988, after adding to the products covered by this quota the other types of footwear included in the investigation, with the exception of those products referred to in paragraph 9.

(13) Quantitative limits applicable to imports into France of footwear originating in Taiwan have been fixed by reference to imports into France during the last three years.

To ensure that those limits are observed, the French authorities should make imports of the products in question originating in Taiwan subject to a system of import authorizations to be issued up to the quantitative ceilings laid down by this Regulation.

(14) On being informed of the Commission's findings, the South Korean authorities undertook in a letter to the Commission to make exports of the products specified below subject from 1 July 1988 to the issue of an export certificate and to issue the certificates in such a way as to comply with the quantitative limits set out below, in respect of exports of the products concerned to France, up to and including 30 June 1990 :

CN code	Description
6401 92 to 6401 99 90	Waterproof footwear with outer soles and uppers of rubber or plastics
6402 19 00 6402 20 00 6402 91 to 6402 99 99	Other footwear with outer soles and uppers of rubber or plastics
6403 19 00 6403 20 00 6403 51 to 6403 99 99	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials
6405	Other footwear

South Korea : *(1 000 pairs)*

Period : 1 July to 31 December 1988	5 400
1 January to 30 June 1989	9 100
1 July 1989 to 30 June 1990	15 225

(15) In view of the measures adopted by the Government of South Korea, appropriate steps should be taken upon import of the products concerned into France to check the proper functioning of the machinery set up by the South Korean authorities to limit exports.

(16) The Commission noted during the investigation that increased penetration by imports originating in South Korea or Taiwan was not restricted to the French market. A marked increase was also observed on other Community markets, in particular the Italian market, in respect of which an investigation has already taken place, resulting in the institution of a system fo the authorization of imports into Italy of footwear originating in South Korea or Taiwan (1).

However, given the particular gravity of the situation in France, it is necessary, in order to safeguard Community interests, to take measures for this market alone as a matter of urgency.

However, following requests from a number of Member States and in the light of the results of the investigation of the Italian and French markets and information forthcoming from the Community statistical surveillance of imports, the Commission intends in the near future to conduct an investigation of the overall situation of the industry Community-wide, taking account, with a view to the completion of the internal market, of the different import arrangements existing in the Member States,

HAS ADOPTED THIS REGULATION :

Article 1

1. The import into France of the products specified in paragraph 2 and originating in Taiwan shall be subject to presentation of an import authorization to be issued by the French authorities wihin the following limits :

Taiwan : *(1 000 pairs)*

Period : 1988	14 332
1989	15 049
1990 (6 months)	7 901

2. The limits shall apply to the following products :

CN code	Description
6401 92 to 6401 99 90	Waterproof footwear with outer soles and uppers of rubber or plastics
6402 19 00 6402 20 00 6402 91 to 6402 99 99	Other footwear with outer soles and uppers of rubber or plastics
6403 19 00 6403 20 00 6403 51 to 6403 99 99	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials
6405	Other footwear

(1) OJ No L 54, 1. 3. 1988, p. 59.

3. This import authorization shall be valid only in France. The quantitative limits are, as appropriate, to be increased by unused quantities carried over from the previous period or reduced by quantities used in advance from the quantitative limits for the following period, subject to a maximum of 6 % of the quantitative limit for the current year.

4. The import authorization referred to in paragraph 1 shall be issued automatically, free of charge, within a maximum of five working days from the date of the request presented by the importer, subject to the annual quantitative limits for France.

Article 2

1. The import into France of the products specified in Article 1 (2) and originating in South Korea shall be subject to presentation of an import authorization issued by the French authorities. The authorization shall be valid only in France.

2. The import authorization referred to in paragraph 1 shall be issued automatically, free of charge, within a maximum of five working days from the date of presentation by the importer of the original of the export certificate corresponding to the quantities requested, issued by the South Korean authorities within the quantitative limits set for France.

Article 3

This Regulation shall not prevent the import into France of products described in Article 1 (2) and originating in South Korea or Taiwan which, at the time of its entry into force, were under way to France, provided that such products cannot be delivered to any other destination.

Article 4

The Community investigation into the trend of imports into France of footwear originating in South Korea or Taiwan is hereby terminated.

Article 5

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities.*

It shall apply from 1 July 1988 to 30 June 1990 in respect of South Korea and from 1 January 1988 to 30 June 1990 in respect of Taiwan.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 30 June 1988.

For the Commission

Willy DE CLERCQ

Member of the Commission