COMMISSION REGULATION (EEC) No 561/88

of 29 February 1988

instituting a system for the authorization of imports into Italy of footwear originating in South Korea and 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 with the Advisory Committee set up by the above Regulation,

Whereas :

A. PROCEDURE

1. The Commission was informed on 17 July 1987 by the Italian authorities that imports into Italy of footwear originating in South Korea and Taiwan had increased and would continue to do so in such quantities and in such manner that there was, or threatened to be, serious injury to national industries.

2. The Italian request was supported by evidence regarding the trend of imports and the terms on which they were taking place, in particular with regard to 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 the initiation of an investigation, 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 Italy of the products concerned originating in South Korea and 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 Italian producers by the Associazione Nazionale Calzaturifici Italiani (ANCI) and by the Confédération Européenne de l'Industrie de la Chaussure (CEC). Information was also supplied by the Korean Footwear Exporters Federation (KFEF) and by the main Italian importers.

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

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

   Italian producers

   — Calzaturificio ALBA (Barletta)
   — Calzaturificio B2 SRL (Marlia)
   — Bonis (Asolo)
   — Canguro SpA (Verona)
   — CIDA SRL (Porto San Giorgio)
   — Cofra SRL (Barletta)
   — Lottini SRL (Ponte a Moriano)
   — Giusfredi SRL (Segromigno in Monte)
   — Calzaturifici Melania SPA (Montegiorgio)
   — New Nices Shoes SAS (Barletta)
   — Calzaturificio Pezzol SNC (Barletta)
   — Calzaturificio Rogers SRL (Barletta)
   — Master Sport SRL (Barletta)
   — Rontani SPA (Monsagrati)
   — Calzaturificio Valbrunella SPA (Giovanni Ilarione)

   Italian importers

   — CEBO Italia SAS (Medole)
   — De Fonseca Orient SPA (Torino)
   — Dimex (Larciano)
   — Canguro (Verona)
   — New Games SRL (Roma)
   — CON. GRO. C. (Verona)

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

B. PRODUCTS AND INDUSTRIES CONCERNED

7. The products which are the subject of the investigation are footwear articles falling with Common Customs Tariff heading Nos 64.01 to 64.04 and specifically those corresponding to NIMEXE code 64.01-11 to 64.04-90 and combined nomenclature codes 6401 10 to 6405 90 90.

(1) OJ No L 35, 9. 2. 1982, p. 1.
(2) OJ No L 113, 30. 4. 1986, p. 1.
(3) OJ No C 217, 15. 8. 1987, p. 7.

8. The Commission investigation showed that given the composition of the combined nomenclature, the interchangeability of the various types of footwear and the production statistics available, it was practically impossible to classify in distinct categories the various types of footwear covered by the investigation in order to determine either import trends, prices or the impact of the imports on the Italian industries. As a result of this major difficulty, the question of injury had to be assessed on the basis of the overall production statistics.

Given that the bulk of the imports originating in South Korea and Taiwan consist of specific types of footwear, it can be concluded that the actual injury suffered by Italian producers of the types of footwear concerned is markedly greater than that reflected by the overall figures given below.

9. Although it has not been possible on the basis of the statistics to establish the various types of footwear into subcategories, the investigation with regard to the producers and importers concerned has shown nevertheless that certain types of footwear originating in the countries in question, which were imported into or produced in Italy in negligible quantities, can be excluded from any protective measures applied.

C. FOOTWEAR

10. The recent trend of footwear imports into Italy is as follows :

(millions of pairs)

	1984	1985	1986	1987
South Korea	8,6	10,3	11,7	21,7
Taiwan	5,7	7,1	9,1	18,4

This has resulted in an increase in the market share held by these exports from 5,5 % in 1984 to 12,7 % in 1987 in the case of South Korea and from 3,6 % in 1984 to 10,8 % in 1987 in the case of Taiwan.

11. Resale prices on the Italian market of certain types of footwear imported from South Korea and Taiwan were about 70 % and 76 % respectively below the prices charged by Italian producers.

This undercutting has forced the Italian producers 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 Italian producers' market share fell from 65,9 % in 1984 to 41,9 % in 1987. The situation of the Italian producers has deteriorated as a result and their financial results have been adversely affected, with most of the firms concerned making losses which increased still further during the period of investigation.

The capacity utilization rate fell in Italy from 77 % in 1984 to 68 % in 1987. Employment has continued to fall, from 134 317 units in 1984 to 122 000 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 and 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 originating in South Korea and Taiwan and the price charged for such imports are thus a cause of material injury to the Italian industry concerned. In view of the substantial production capacity existing in South Korea and Taiwan, there are also grounds for believing that, in the absence of adequate protective measures, the increase in imports originating in South Korea and Taiwan will continue at the present rate.

To eliminate the injury and prevent further injury from being caused to the Italian producers, urgent measures need to be adopted to protect that market for a limited period of two and a half years, from 1 March 1988 to 30 June 1990 in such a way as to cause minimum disruption to the harmonious development of world trade while at the same time enabling the Italian firms concerned to continue their modernization programmes.

13. Quantitative limits applicable to imports into Italy of footwear originating in South Korea and Taiwan have been fixed by reference to imports into Italy during the period from the second half of 1984 to the first half of 1987.

To ensure that those limits are observed, the Italian authorities should make imports of the products in question originating in South Korea and 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 to the issue of an export certificate and also 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 Italy, 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 50 to 6403 99 99	Footwear with outer soles of rubber, plastics, leather or compositions 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

Period :

South Korea	1988 (10 months)	9 300 000 pairs
	1989	13 230 000 pairs
	1990 (six months)	6 946 000 pairs

15. In view of the measures adopted by the Government of South Korea, care should be taken upon importation of the products concerned into Italy that appropriate steps are taken 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 and Taiwan was not restricted to the Italian market. A marked increase was also observed in other Community markets, in particular the French market in respect of which an investigation is currently in progress.

However, given the particular gravity of the situation in Italy, it is necessary, in order to safeguard Community interests, that measures be taken for this market alone as a matter of urgency. The Commission reserves the right, however, in the light of the results of the investigation on the French market and of the information forthcoming from the Community statistical surveillance of imports, to conduct a subsequent review 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 importation into Italy of the products specified below in paragraph 2 originating in Taiwan shall be subject to presentation of an import authorization to be issued by the Italian authorities within the following limits :

Period :

Taiwan	1988 (10 months)	7 230 000 pairs
	1989	10 290 000 pairs
	1990 (six months)	5 402 000 pairs

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

3. This import authorization shall be valid only in Italy. 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 Italy.

Article 2

1. The importation into Italy of the products specified in Article 1 (2) shall be subject to presentation of an import authorization issued by the Italian authorities. The authorization shall be valid only in Italy.

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 Korea authorities within the quantitative limits set for Italy.

Article 3

This Regulation shall not prevent the importation into Italy of products described in Article 1 (2) originating in South Korea and Taiwan which, at the time of its entry into force, were under way to Italy, providing that such products cannot be delivered to any other destination and that they are accompanied by the import document referred to in Article 13 of Regulation (EEC) No 288/82,

issued by the Italian authorities, the date given on the bill of lading being taken as proof.

Article 4

The Community investigation to examine the trend of imports into Italy of footwear originating in South Korea and 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 be applicable from 1 March 1988 to 30 June 1990.

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

Done at Brussels, 29 February 1988.

For the Commission

Willy DE CLERCQ

Member of the Commission