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GATT UPHOLDS COMMUNITY CASE ON US-JAPAN SEMICONDUCTOR AGREEMENT

GATT has today notified the contracting parties of the conclusions of the panel set up at the Community's request to examine the agreement between the United States and Japan on semiconductors.

The panel upheld the Community's argument that price monitoring of exports of semiconductors to markets other than the United States contravenes Article XI(1) of the GATT, and it recommended that the contracting parties should ask Japan to bring its measures into line with GATT rules.

The European Commission complained to GATT about the agreement in October 1986 and a panel was set up in 1987. The semiconductor pact was concluded on 30 July 1988 to settle a dispute between the USA and Japan about Japanese exports of semiconductors. The Japanese government undertook to try and increase imports of semiconductors while monitoring the price of most exports not only to the United States but to other countries as well, including the Community.

The Community complained to GATT, arguing that price maintenance on exports to other countries constituted unprecedented interference in third markets, contrary to GATT rules. It also held that the agreement would give US exporters privileged access to the Japanese market, which constituted discrimination in contravention of Article I of GATT.

The panel has upheld the Community on the first of these points, the arbitrary fixing of export prices, but failed to find sufficient evidence of discrimination against Community exports to the Japanese market.

Mr. De Clercq has welcomed the panel's recommendation, believing it will prevent a proliferation of agreements of this type, which are incompatible with GATT rules. "We expect the GATT Council to adopt the panel's conclusions on 4 May, and we hope that Japan will rapidly and completely adopt the panel's conclusions and end this system of price fixing." The panel, he went on to say, had failed to find sufficient evidence of discrimination against the Community, and he hoped the Japanese authorities would bear this out by following a consistent policy of non-discriminatory opening of the market for this product.

The European semiconductor market 1985

('000 000 dollars)

Exports: 1 250

Imports: 2 721

of which

USA: 1 113

Japan: 525

Imports accounted for a total of 58.7% of the Community semiconductor market, with the United States taking 24% and Japan 11.3%.