

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 836 final

Brussels, 10 December 1982

Recommendation for a

COUNCIL DECISION

authorizing the Commission to open negotiations and consultations
under the GATT concerning the amendment of the
tariff concession on sound reproducers

(submitted to the Council by the Commission) GH

COM(82) 836 final

1. Entirely new technology in the sphere of sound reproduction has been developed by European industry and new products are consequently on the market. Audio systems with laser pick-ups have been developed. This type of equipment, which plays a compact digitally coded record, could in the future replace equipment using conventional records. The tariff classification is subheading 92.11 A.II and the duty is bound at 9.5%.

2. The standard for this technology has also been adopted by most Japanese manufacturers of high fidelity equipment. In order to prevent the proliferation of standards, which might obstruct marketing (as happened with television image and sound recorders and reproducers), the European industry gave its Japanese counterparts the licences for manufacturing this equipment.

3. As regards the marketing of high fidelity equipment, Japan holds 75% of the European market, 90% of the US market and practically the whole of the Japanese market. Whereas large quantities of Japanese equipment are marketed in Europe and in the United States, Japan's distribution system makes its market very difficult to penetrate. The European market in audio systems, on the other hand, is particularly open.

4. The manufacture of audio systems with laser pick-ups in Europe has already begun but marketing will not start until March 1983. Almost all the components used come from factories in five Member States of the Community.

5. In order to enable the European industry concerned with this type of equipment to attain a profitable level of production during the starting-up phase and to obtain a return on the costly investment in research and development without being eliminated from the market at the outset by Japanese competition, the Commission considers the Community industry should temporarily be protected from excessive price competition.

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Consequently, in view of the strategic importance of this sector for the Community industry and given the imbalance in the conditions of competition, the Commission proposes that negotiations should be initiated under Article XXVIII of the GATT in order to suspend for a period of five years the bindings on audio systems with laser pick-ups. The duty which will be applied during the suspension period will be the autonomous duty, i.e. 19%.

6. The Commission will make an oral statement to the Article 113 Committee concerning the procedures for possible compensation in that sector. In the initial negotiating stages, the Commission will explore the situation with Japan, the main contracting party concerned, in order to determine the products for which compensation might possibly be granted.

Conclusion

The Commission therefore requests the Council to adopt a decision authorizing it to open negotiations on audio systems with laser pick-ups; a decision as to possible compensation and the relevant procedures will be taken in close conjunction with the Article 113 Committee.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof,

Having regard to the recommendation from the Commission,

Whereas during the 1973 tariff renegotiations following the accession of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland, the Community bound the duty on sound reproducers of subheading 92.11.A.II of the Common Customs Tariff at 9.5%; whereas that binding is contained in the European Economic Community's List LXXII annexed to the General Agreement on Tariffs and Trade;

Whereas this concession should be modified;

Whereas, to that end, tariff negotiations or consultations should be initiated with the Contracting Parties to the GATT which have rights in respect of this concession under Article XXVIII of the General Agreement,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission is hereby authorized to open tariff negotiations or consultations with Contracting Parties which have rights under Article XXVIII of the General Agreement with a view to modifying the concession on sound reproducers of subheading 92.11.A.II of the Common Customs Tariff.

The Commission shall conduct these negotiations in consultation with the Committee provided for in Article 113 of the Treaty.