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REPORT

from the Commission

to the Council

**on the surveillance measures
and quantitative quotas**

**applicable to certain non-textile products originating
in the People's Republic of China**

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INTRODUCTION

A. Historical background

By Regulation (EC) No 519/94 of 7 March 1994, the Council of the European Union introduced Community-wide quantitative restrictions on 7 categories of products originating in the People's Republic of China, namely gloves, footwear, porcelain tableware, ceramic tableware, glassware, car radios and toys, and certain surveillance measures.

The introduction of such measures had been agreed, in principle, by the Council in December 1993 as part of a global package including acceptance of the Uruguay Round results, reinforcement of the trade policy instruments and completion of the common commercial policy.

The latter aspect of the package involved the unilateral elimination of 6.417 national quantitative restrictions and the introduction of Community-wide quotas on imports from China of a limited number of sensitive products, whose imports were at that time subject to national restrictions. The introduction of such quotas was based on the following considerations :

- a) the sensitivity of the Community industries concerned;
- b) the increasing threat posed by imports from China to these industries, made more acute by the particular characteristics of the Chinese economy.

B. Objective of the Commission report

In the course of discussions in the Council on Regulation (EC) No 519/94, the Commission made the following statement which was included in the minutes :

"The Commission will report to the Council before 31 December 1995 and before the 31 December of every year thereafter on the implementation of the surveillance measures and the quantitative restrictions provided for in Annexes II and III, the need to maintain such measures, and will propose, as the need arises, the appropriate adjustments."

In March 1995, the Commission further indicated that *"it would do its utmost to submit this report to the Council in good time so that the Council can examine and discuss it before 31 December 1995"*.

This report is in response to the above-mentioned commitment.

C. Methodology

1. The report first reviews the implementation of the quantitative restrictions, including the problems raised by their administration.

In its second chapter, it addresses the question of the need to maintain the quantitative restrictions introduced by the Council. To this end, the Commission examined whether the conditions which justified the introduction of these measures in 1994 are still present, in particular,

- a) the sensitivity of the Community industries concerned, and
- b) the threat posed by imports from China to these industries.

This examination was conducted sector by sector.

The implementation of the surveillance measures and the need to maintain them is dealt with in the third chapter.

The fourth chapter presents, on the basis of the above analysis, the Commission conclusions and proposals.

2. As in 1994, the Commission faced considerable difficulties with regard to the collection of statistical and factual data on the industries concerned, as well as on the development of the Chinese export potential.

Extensive efforts were made to obtain information from Community producers and Community importers and traders, who were approached directly or through their representative organizations. The response was, however, incomplete and rather unsatisfactory.

Regarding information on the state of the Community industry, these difficulties were amplified by the fact that producers generally produce a wide range of products, not just those subject to quota, and that nearly all these sectors are made up of many small-/medium-sized enterprises, of which a significant proportion are not even known by the relevant national federations.

On the importers' side, the Commission received answers of a general nature from only a small number of associations or individual importers.

It should also be noted that only three Member States submitted factual data and comments to the Commission for the purposes of this report.

3. In general, the analysis is based on figures for 1994, as full statistics for 1995 were not available at the time of the drafting of this report. However, trends for 1995 have been used, where possible.

CHAPTER 1

IMPLEMENTATION OF THE QUANTITATIVE RESTRICTIONS

I. Entry into force and first year of implementation

1. The entry into force of the quantitative restrictions, on 15 March 1994, was subject to two exceptions, for

- products already on their way to the Community on the date of publication of Regulation (EC) No 519/94 in the Official Journal (*i.e.* 10 March 1994), and whose destination could not be changed ("shipping clause"); and
- products formerly subject to national restrictions, for which an import licence had been issued by the national competent authorities in conformity with the provisions of Title IV of Council Regulation (EEC) No 3420/83, and which were accompanied by such licence. In some Member States, such national licences were valid until the end of September 1994.

The fact that the quotas only entered into force in March 1994, combined with the two exceptions described above, explains why the actual imports in 1994 sometimes exceed by a significant amount the annualized level of the quotas as set for 1994 by Regulation (EC) No 519/94.

2. Since their entry into force in March 1994, the quotas were modified on two occasions:

- In July 1994, the Council decided to increase the 1994 level of the quota on stuffed toys. Information obtained from the economic operators and the Member States indeed indicated that the balance between the objective of ensuring an appropriate protection of the Community toy industry and that of maintaining an acceptable level of trade with the People's Republic of China had not been satisfactorily achieved for this product.

- In March 1995, the quotas were further modified.

This was, in part, to take account of the extension of the quantitative restrictions to Austria, Finland and Sweden. The adaptation was done on the basis of the actual imports of these countries from China in 1993.

This modification was also aimed at solving problems which had arisen in the implementation of the quotas. Where it was compatible with the protection of the producers concerned, the Council decided a certain relaxation of the quotas (ceramic and porcelain tableware, glassware, car radios, toys, certain sport footwear through the reduction of the price break for hi-tech shoes from ECU 12 to ECU 9). In addition, three quotas were eliminated, two on shoes and one on working gloves.

II. Management of the quotas

(a) Legal basis and objectives

1. The management of Community quotas is based on Council Regulation (EC) No 520/94 of 7 March 1994 establishing a Community procedure for administering quantitative quotas and Commission Regulation (EC) No 738/94 of 30 March 1994 laying down certain rules for the implementation of Council Regulation (EC) No 520/94 (mostly on procedural aspects, including the common import licence form).

It should be recalled that before the adoption of Regulation (EC) No 520/94, quotas were allocated among Member States, and not directly to importers. Since the reform of March 1994, uniform criteria, determined by the Commission after consultation of the Management Committee, apply to all Community importers, in conformity with the principles of the Single Market and the relevant case law of the European Court of Justice.

2. In the management of the quotas, the Commission has been guided by the following principles :
 - that administrative procedures would not add to the intended effect of the quotas on trade and that the available quantities would be fully used; and
 - that non-discrimination among all Community importers, no matter where they are established and no matter where they submit a licence application.

(b) Functioning of the quota management system

1. In conformity with the above-mentioned principles, the Commission felt it appropriate to resort to the first allocation method provided for by Regulation (EC) No 520/94, *i.e.* the method based on traditional trade flows, which guarantees that "traditional" importers receive at least a part of their previous trade performance realized during a reference period, while ensuring a fair access to the quotas to non-traditional importers.

This allocation method, while it would appear to have worked satisfactorily, did raise however certain practical problems, in relation *i.a.* to the determination of the relative shares set aside for traditional and for other importers respectively.

In addition, the management of the part of the quotas set aside for the non-traditional importers raises a problem which so far could not be resolved. The chronological method ("first come, first served"), whose use for the management of the 1994 quotas did not prove practicable, has been replaced by the third method provided for by Regulation (EC) No 520/94, *i.e.* the method of allocation proportional to the quantities requested. The problem resulting from the unrestricted access to that part of the quota however remains: in 1994, 12.232 import licence applications were submitted by non-traditional importers; this figure grew to 21.926 applications for the first tranche of 1995, to 19.613 for the second tranche (with less products to be allocated) and to 28.204 applications for the allocation of the 1996 quotas. This growth results in those non-traditional importers being allocated more and more limited quantities, a fact which might lead to underutilization of the quotas. The Commission considers that a guarantee set at an appropriate value would be the best option to eliminate speculative requests. This solution has however so far met with opposition of the Member States.

2. In the management of the quotas, the Commission made every effort to satisfy the wish of importers to receive information as early as possible on their allocation for the following period. Following requests from importers, the Commission opened the allocation procedures for the 1995 and 1996 quotas well before the beginning of the quota year. For the advanced opening of the 1995 quotas in October 1994, the Commission found a practical solution to the problem created by the fact that at that time, Austria, Finland and Sweden were not yet members of the Community.
3. In the same spirit, the Commission quickly modified the initial duration of the validity of the import licences in order to meet the importers' requests for flexibility. The validity of licences issued in 1994 and 1995 was extended by the Commission so that they remained valid throughout the quota year. The 1996 management rules currently provide for a 9-month validity of the import licences, which will be extended to 12 months if the Council adopts the Commission proposal to allow the carry-over of unused quotas to the following quota year (COM(95) 460 of 6 October 1995).
4. Concerning the administrative procedures, the Community management system is based on a "single-stop" approach, whereby all Community importers, irrespective of where they are established in the Community, may submit a licence application to the competent authority of the Member State of their choice, and obtain an import licence which is valid throughout the Community.

In addition, the application procedure has been made as simple as possible and the formalities reduced to a strict minimum; the licensing process is totally free of charge for the Community importers.

c) **Conclusion**

As is unavoidable when trade is subject to restrictions, the management of these quotas raised some problems, especially in the first year of their application. The Commission considers however that the system adopted now works well on the whole, thanks to the cooperation of Member States. In particular, it is felt that the legitimate concerns that the management system should not add to the effect of the quotas, as decided by the Council, have been met.

III. Developments in the trade of the products subject to quantitative restrictions

The following two tables give a factual summary of the developments in the trade of each product subject to quantitative restrictions, both in terms of volume and value.

a) Evolution in volume of the products concerned (imports and quotas)

Products	Unit	1991	1992	1993	1994	1994 quotas (annual basis)	1995 quotas (annual basis)	unused quantities in 1994
gloves (4203 29 91 & 99)	ECU	7 348 000	9 826 000	11 508 000	10 033 000	9 586 500	15 177 038	6 060 650*
rubber shoes (6402 99)	pairs	24 516 513	33 498 463	37 894 757	37 259 535 (9 989 423 hi-tech incl)	35 000 000 (+ hi-tech exemption)	39 151 481 (+hi-tech exemption)	5 236 184
leather shoes (6403 51 & 59)	pairs	2 547 468	3 030 801	3 942 271	2 614 453	2 500 000	2 740 116	376 252
leather shoes (6403 91 & 99)	pairs	12 066 280	24 860 632	36 215 974	30 661 174 (14 122 199 hi-tech incl)	9 926 000 (+hi-tech exemption)	11 881 963 (+hi-tech exemption)	304 923
textile shoes (6404 11)	pairs	23 922 387	23 849 323	20 853 012	22 739 304 (6 288 335 hi-tech incl)	16 850 000 (+hi-tech exemption)	18 228 780 (+hi-tech exemption)	3 909 415
textile shoes (6404 19 10)	pairs	34 466 034	34 789 708	31 039 693	26 575 875	29 052 000	31 897 716	3 240 798
total shoes	pairs	97 518 682	120 028 927	129 945 707	119 850 341 (33 361 807 hi-tech incl)	93 328 000 (+ hi-tech exemption)	103 900 056 (+ hi-tech exemption)	13 067 572

*the 1994 gloves quota covered the whole 4203 29 CN position, of which the current quota represents 10%

Source :- EUROSTAT

- figures on hi-tech shoes from Community surveillance are based on surveillance documents issued, which do not necessarily reflect actual levels of imports

- figures on unused quantities based on import licences returned to the Member States (no data available for Portugal)

Products	Unit	1991	1992	1993	1994	1994 quotas (annual basis)	1995 quotas (annual basis)	unused quantities in 1994
porcelain tableware (691110)	tonnes	35 404	43 960	42 300	58 917	39 000	43 619	4 364
ceramic tableware (691200)	tonnes	26 996	33 247	36 681	46 851	29 700	33 000	2 684
glassware (7013)	tonnes	9 978	14 374	16 722	12 462	11 000	14 210	1 401
car radios (852721)	units	1 336 588	1 933 260	2 658 816	2 445 159	2 100 000	2 238 899	129 647
car radios (852729)	units	288 053	154 707	236 692	85 443	170 000	251 664	23 928
total car radios	units	1 624 641	2 087 967	2 888 454	2 530 602	2 270 000	2 490 563	153 575
stuffed toys (9503 41)	ECU	213 249 000	260 117 000	302 919 000	247 764 000	258 316 333	274 764 243	32 833 726
toys (9503 49)	ECU	83 182 000	110 648 000	171 334 000	88 686 000	83 851 000	132 767 177	17 110 635
toys (9503 90)	ECU	524 359 000	621 200 000	678 864 000	478 069 000	508 016 000	649 465 212	78 330 154
total toys	ECU	820 790 000	991 965 000	1 153 117 000	814 519 000	866 631 243	1 056 996 632	128 274 515

Source : - EUROSTAT

- figures on unused quantities based on import licences returned to the Member States (no data available for Portugal)

b) Import prices of products originating in China

Product	Unit price in 1992	Unit price in 1993	Unit price in 1994
Gloves:			
- 4203 29 91	3.65 ECU/pair	4.23 ECU/pair	3.41 ECU/pair
- 4203 29 99	3.50 ECU/pair	3.54 ECU/pair	3.31 ECU/pair
Footwear:			
- 6402 99	3.17 ECU/pair	3.68 ECU/pair	3.68 ECU/pair
- 6403 51	8.66 ECU/pair	9.76 ECU/pair	11.86 ECU/pair
- 6403 59	3.56 ECU/pair	3.30 ECU/pair	3.31 ECU/pair
- 6403 91	8.63 ECU/pair	9.54 ECU/pair	10.17 ECU/pair
- 6403 99	6.72 ECU/pair	7.45 ECU/pair	8.02 ECU/pair
- 6404 11	3.14 ECU/pair	3.94 ECU/pair	4.33 ECU/pair
- 6404 19 10	0.94 ECU/pair	1.00 ECU/pair	0.90 ECU/pair
Porcelain tableware:			
6911 10	1 011.01 ECU/tonne	1 105.25 ECU/tonne	1 011.58 ECU/tonne
Ceramic tableware:			
6912 00	928.78 ECU/tonne	1 060.06 ECU/tonne	1 054.41 ECU/tonne
Glassware:			
7013	1 848.20 ECU/tonne	1 961.07 ECU/tonne	2 227.57 ECU/tonne
Car radios:			
- 8527 21	21.02 ECU/unit	22.29 ECU/unit	25.92 ECU/unit
- 8527 29	15.50 ECU/unit	14.46 ECU/unit	19.79 ECU/unit
Toys:			
- 9503 41	7 737 ECU/tonne	7 831 ECU/tonne	7 314 ECU/tonne
- 9503 49	5 944 ECU/tonne	6 013 ECU/tonne	6 106 ECU/tonne
- 9503 90	5 116 ECU/tonne	4 812 ECU/tonne	4 926 ECU/tonne

Source : EUROSTAT

CHAPTER 2

SHOULD COMMUNITY QUOTAS BE MAINTAINED?

I. Approach adopted by the Commission

To reply to this question the Commission sought to find out if the conditions that had provoked the introduction of quantitative restrictions in 1994, namely the sensitivity of the Community industries concerned and the threat posed by Chinese products to them, still prevailed.

It did this by carrying out a sector-by sector analysis on the basis of the following economic indicators:

1. Structure of the industry
2. Production
3. Employment
4. Import trends
5. Import prices
6. China's export potential

II. Analysis of the sectors concerned

1. Footwear

CN codes ex 6402 99¹, 6403 51 & 59, ex 6403 91 & 99¹, ex 6404 11¹ and 6404 19 10

A. Situation of the Community footwear industry

1. Structure of the industry

The Community footwear industry embraces many small firms (employing on average 20 workers) which are often found in regions that offer few other industrial activities. There are, however, differences between the Member States: at one end of the scale Germany and France have the largest firms (averaging about a hundred workers), at the other, Italy and Spain have the smallest (13). Since Italy and Spain are the biggest producers, this affects the Community average.

The number of producers is steadily falling: in 1994 there were 14 005 compared with 15 897 in 1989.

Excluding:

- (a) footwear which is designed for a sporting activity, has non-injected soles and has, or has provision for the attachment of, spikes, sprigs, stops clips, bars or the like;;
- (b) footwear involving special technology: shoes which have a cif price per pair of not less than ECU 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

The industry is labour-intensive and vulnerable to imports from low-cost countries. Its geographical concentration and the size of the workforce means that any dip in activity has immediate social and regional repercussions.

2. Community production

In 1994 Community footwear producers were faced with declining sales and accelerating erosion of their share of the Community market. Exports, however, rose, a sign that their products are competitive and that the industry is dynamic and constantly seeking new outlets on non-Community markets.

pairs	1992	1993	1994
Production	1 081 568 000	1 090 236 000	1 108 127 000
Exports	271 438 000	291 889 000	343 251 000
Consumption	1 549 124 000	1 529 927 000	1 551 733 000
Sales/Community production on internal market	810 130 000	798 347 000	764 876 000
Market share of Community production	52 %	52 %	49 %

These figures refer to the whole footwear sector but since products similar to those under quota account for a large proportion of Community output the figures can be considered as representative of Community production of the quota products.

3. **Employment**

The sector has seen a considerable shrinkage of the labour force, which still stood at 345 036 in 1988. A further 6000 jobs, 3% of the total, disappeared in 1994.

	1991	1992	1993	1994
Numbers directly employed*	318 819	302 819	291 465	285 763

4. **Restructuring efforts**

Despite the difficulties it is facing, the Community industry has for some years been engaged in root-and-branch restructuring in an effort to become more competitive on both internal and external markets. It believes that Community quotas are essential for the continuation of this process.

These efforts to adapt have taken the form of:

- product modification, with the aim of distinguishing Community footwear from Chinese products;
- investment in equipment for computer-aided design, cutting and stitching, plus other types of investment to overhaul the whole manufacturing process;
- advanced training programmes designed to ensure that technical developments are exploited to the full.

Although the Commission does not have precise figures on indirect employment, which is prevalent in the footwear industry, we may presume that the trend is similar, if not worse.

B. Sensitivity to Chinese imports

1. Import trends

In 1994 Community imports of footwear of all origins stood at 786 675 000 pairs, an increase of about 8% on 1993 and 1992 (when they stood at 731 580 000 and 738 994 000 respectively).

Imports took 51% of the Community market in 1994, against 48% in 1992 and 1993, gaining this leading position in the face of demand that has been fairly stable since 1992 (1 549 124 000 pairs in 1992, 1 529 927 000 pairs in 1993 and 1 551 733 000 pairs in 1994).

The table below gives an overview of import trends in the period 1992-94 and a breakdown by country of origin.

'000 pairs	1992	1993	1994
Extra-EC total	738 994	731 580	786 675
China	293 197	296 700	316 413
Indonesia	85 960	86 673	105 461
Vietnam	12 255	32 752	61 509
Thailand	69 981	61 118	55 541
India	14 656	18 393	20 980
South Korea	54 999	30 410	20 578
Taiwan	37 145	21 538	18 102
Brazil	24 570	23 209	17.809

Source: EUROSTAT

The growth in imports is mainly attributable to imports from China, Indonesia and Vietnam. Imports of Chinese footwear stood at 316 400 000 pairs in 1994, 7.6% up on 1993. They alone accounted for 40% of all extra-EC imports. Indonesia accounted for 13%, Vietnam for 8% and Thailand for 7%.

The overall picture for imports of footwear from China is as follows:

'000 pairs	1992	1993	1994
Quota footwear in 1994	131 671	137 679	103 908
Non-quota footwear in 1994	161 526	159 021	212 505
Total	293 197	296 700	316 413

Source: EUROSTAT

In the specific case of the tariff headings subject to quotas, imports from China have risen steadily since 1991, only slowed by the introduction of quantitative quotas in 1994, as the table below shows:

pairs	1991	1992	1993	1994
6402 99	24 516 513	33 498 463	37 894 757	37 259 535
6403 51 & 59	2 547 468	3 030 801	3 942 271	2 614 453
6403 91 & 99	12 066 280	24 860 632	36 215 974	30 661 174
6404 11	23 922 387	23 849 323	20 853 012	22 739 304
6404 19 10	34 466 034	34 789 708	31 039 693	26.575.875

Source : EUROSTAT

If we compare these figures to those for China's total footwear exports in 1994, we get an idea of China's awesome export potential.

CN code	Total exports
6402 99	632.986.332 pairs
6403 51 & 59	8.344.750 pairs
6403 91 & 99	349.556.902 pairs
6404 11	147.251.737 pairs
6404 19 10	604.104.966 pairs

Source: *China's Customs Statistics Yearbook 1994*

2. Import prices

The prices of imports from China are much lower than Community products. Since the PRODCOM system¹ is not yet operational we cannot know precisely the extent to which Chinese imports are undercutting Community products but an idea of the price difference can be obtained by comparing average import prices and average prices of Community exports.

¹ System of statistics on Community production.

Average prices of imports from China and of Community exports
(ECU/pair)

Product		1992	1993	1994
6402 99	China	3.17	3.68	3.68
	EU	6.43	5.98	6.24
6403 51	China	8.66	9.76	11.86
	EU	21.28	21.19	21.50
6403 59	China	3.56	3.30	3.31
	EU	17.38	16.64	16.43
6403 91	China	8.63	9.54	10.17
	EU	20.41	18.71	19.73
6403 99	China	6.72	7.45	8.02
	EU	14.82	14.12	14.17
6404 11	China	3.14	3.94	4.33
	EU	9.14	8.80	8.25
6404 19 10	Chine	0.94	1.00	0.90
	EU	3.85	4.12	4.12

Source: EUROSTAT

Even though the comparison is not perfect, it does show substantial undercutting of Community prices, with a difference that can be more than double or even five times as much.

Note that average unit prices of imports from China were lower in 1994 than those of any other major Community supplier. The figures illustrate this clearly. For products of tariff heading 6403 59, the difference between Chinese prices and those of India, the next cheapest supplier, is in the order of 270%.

C. Opinion of the importers

The FTA (Foreign Trade Association), the FESI (Federation of the European Sporting Goods Industry), L.A. Gear (Clifford Chance) et C. & J. Clark Ltd have argued since the beginning that quantitative restrictions on footwear were not justified and have proposed to the Commission the following arguments in favour of abolishing all restrictions.

- the footwear covered by quotas are not produced in the Community or do not meet the requirements of the Community market;
- the problems that the Community industry is facing are not caused by imports from China but by internal competition between the industries of different Member States;
- the quotas are not in the interests of consumers;
- Community quotas have created artificial competition between importers and many have gone out of business;
- the lowering of the threshold price (price break) for special-technology sports shoes has not had any significant benefits for importers.

These arguments prompt the following remarks:

- contrary to what importers say, there is Community production of all the products in question and they are in competition with imports from China of the categories under quota;
- despite some degree of redistribution among suppliers, China is still by far the leading supplier of footwear to the Community and, despite quotas, its prices are much lower than those of other non-Community countries and those of the Community;
- quotas are no obstacle to a product diversity on the Community market, including low-priced products, and the cheapness of Chinese products and the opportunities for absorbing any rise in import prices mean that consumers are unlikely to be affected;
- the importers tend to downplay the fact that the Council has already liberalized a vast range of products by doing away with quotas on footwear for sporting activities and reducing the price break for footwear involving special technology from ECU 12 to ECU 9 with the result, surveillance figures show, that imports of these products have exceeded the importers' forecasts.

D. Conclusion

The footwear industry remains a very sensitive one because of the sheer volume of imports from China, the size of their Community market share, substantial undercutting and the export potential of Chinese producers.

2. Porcelain and china tableware and ceramic tableware

CN Codes 6911 10 and 6912 00

A. Situation of the Community ceramic tableware industry

1. Structure of the sector

The tableware sector represents about 16 % of the total output of the ceramics industry in the European Union in value terms, but in terms of persons employed, it accounts for about 31 % (figures for 1993). It is the most labour intensive of the six ceramics sub-sectors, and is therefore particularly susceptible to the effects of competition from countries with low labour costs.

The sector is not only made up of some big producers, such as Villeroy & Boch of Germany, and Royal Doulton and Wedgwood of the UK (the three biggest producers in the world), but also of a large number of very small- and medium-sized enterprises.

The Community industry produces a vast range of products, which differ greatly between producers and depend, to a large extent, on public taste and disposable income. Producers are normally specialized in tableware although there are exceptions - Villeroy and Boch, for instance, also produces sanitary ware and floor and wall tiles. In the Netherlands, Royal Mosa also produces floor and wall tiles while Sphinx also produces sanitary ware and technical ceramics.

The sector is still very concentrated geographically, with, for example, big concentrations in Staffordshire in the UK, the Limousin in France, northern Bavaria in Germany, and Maastricht in the Netherlands.

2. Community production

Statistical data on tableware are summarized in the following table (information obtained from the trade organization includes data on CN code 6913, not covered by the quotas, in addition to CN codes 6911 and 6912).

ECU m	1991	1992	1993	1994
Production	3 400. 0	3 600. 0	3 400. 0	n/a
Exports	465. 0	501. 6	544. 7	653. 9
Imports	331. 5	375. 4	370. 0	399. 3
Apparent Consumption	3 266. 5	3 473. 8	3 225. 3	n/a
EU market share	89. 9 %	89. 2 %	88. 5 %	n/a
Imports market share	10. 1 %	10. 8 %	11. 5 %	n/a

Source: *imports/exports from EUROSTAT*
production from Cérame Unie

3. Employment

Personnel employed in the ceramics industry has evolved as shown hereafter.

'000	Total ceramic industry*	Tableware sector
1991	337 000	110 000
1992	322 000	105 000
1993	290 000	103 000
1994	280 000	90 000

* includes coarse ceramics - refractory products, building bricks and roof tiles

The major Finnish producer, Hackmann OY, which produces a wide range of tableware products, has seen its workforce go down from 1 400 in 1991 to less than 1 000 in 1994.

While the industry has been able to maintain its level of production thanks to its continuing success on export markets, there are indications that it is increasingly feeling the pressure from low-cost imports. This is demonstrated by the closure of plants and plans by some companies to relocate their production, which is aimed at enabling the industry to reduce its costs and meet low-priced competition.

B. Sensitivity to Chinese imports

1. Import trends

The Chinese share of imports of all ceramic products has been climbing steadily, and accounted for almost one fifth of total Community imports in 1994. This is a source of great concern to the EU ceramics industry. As an example, Chinese producers, which so far have exported very small quantities of tiles to the Community, have recently built massive capacity for this product, and are set to overtake Italy and Brazil, the world's major producers.

Concerning more specifically the two products under quota, the imports from China have continued to grow substantially, despite national restrictions which existed in a significant number of Member States.

tonnes	1991	1992	1993	1994
6911 10	35 404	43 960	42 300	58 917
6912 00	26 996	33 247	36 681	46 851

Source: EUROSTAT

The share of the Chinese imports in the total imports from all origins has significantly increased over the last years, making them the dominant supplier of the Community for those products.

tonnes	1991	1992	1993	1994
6911 10	43.68 %	45.36 %	44.02 %	48.30 %
6912 00	31.97 %	32.97 %	37.43 %	42.68 %

Source : EUROSTAT

Very little is known of the export potential of the tableware sector in China, although it is estimated that in 1994, total annual production amounted to 8 355 million units, of which some 1 200 million units were exported. Chinese statistics indicate that the 1994 exports of porcelain amounted to 491 716 tonnes, *i.e.* 8 times the current level of imports into the Community. This figure gives an indication of the considerable Chinese export potential in this sector. No reliable figure is available for ceramic tableware.

2. Prices

Average prices of Chinese imports are well below European prices both for porcelain and chinaware and for earthenware. Below is a comparison of average prices charged by EU traders for imported Chinese goods, with the average price of similar products manufactured in the Community.

ECU/kg		1991	1992	1993	1994
CN 6911	China	1.21	1.06	1.11	1.04
	EU	5.65	5.55	4.15	5.34
CN 6912	China	0.96	1.04	1.08	1.19
	EU	2.43	2.38	2.21	2.34

Source: Cérame-Unie

For the two specific products subject to quotas, a comparison of Chinese prices with the average intra-EU levels in 1994 shows the following :

in ECU/kg	Chinese	Intra-EU
CN 6911 10	1.01	4.55
CN 6912 00	1.06	2.35

Source: EUROSTAT

Advertisements recently seen for imported kitchen tableware from China show that the designs are very similar to European designs (see point below on counterfeiting), but the prices are very much lower than European prices. A 30-piece service, the "Basket" model, currently available from Villeroy & Boch in Belgium, for instance, is quoted at BF 21 220. At today's exchange rate (BF 6.08 = FF 1), this equates to FF 3 490, as opposed to the price of FF 89 on offer from the importer E. Leclerc for a comparable service.

Information on imports of Chinese tableware into Finland indicate that Chinese prices are generally 10-50 % below the equivalent Finnish product, and that tonnage has been going up steadily over the last three years.

An additional problem which European tableware manufacturers have with Chinese imports is counterfeiting, which aggravates the disruptive effects of the imports. Chinese producers are known to send representatives to Europe where they copy European designs, which are produced in China and sold in Europe at much lower prices than the European products. The "Miami" coffee set advertised is a counterfeit copy of the Heinrich Winterling "Svenja" coffee set. Advertisements such as these have been seen in Germany and Belgium. A second example is the cup and saucer on offer from NV Elpo-Cuisinex KM, a Belgian importer, this being a direct copy of the Seltmann Weiden "Salzburg" range of hotel ware. The Commission is aware of this problem and now has the instruments to combat counterfeiting within the Community and on outside markets.

C. Opinion of the importers

The Union of the European Glass and Pottery Wholesalers Associations has requested the elimination of the quotas, on the grounds that Chinese imports do not threaten the Community industry, which is a world leader and exports a substantial part of its production, and that stoneware (CN Code 6912 00 30) is not produced in the Community.

The analysis of the sector shows, however, that imports of Chinese porcelain and ceramic tableware have continued to grow substantially over the last years, and that they are by far the first foreign source of imports into the Community, and that the price of these imports are substantially lower than the Community production. Consequently, there is a strong likelihood that abandonment of the quotas would result in rapid import penetration which would affect all market segments. This would erode the manufacturing capacity of the industry and affect ancillary industries and support facilities. As to stoneware, it is indeed produced in the Community and sold nearly exclusively on the Community market.

D. Conclusion

The tableware sector remains sensitive because of the rapidly increasing volume of the Chinese imports, their considerable disruption potential and the substantial price undercutting.

3. Glassware

CN Code 7013

A. Situation of the Community glass tableware industry

1. Structure of the industry

The glass tableware sector accounts for roughly 4 % of all Community glass production in 1994, as opposed to container glass, which is the largest glass sub-sector, with 65 % of production, and flat glass with 25 %.

95 % of all glass tableware is produced in France, Germany, Italy and the UK. France occupies a dominant position, accounting for over half Community output. Its largest producer, Verrerie Cristallerie d'Arques, is a world leader, employs around 11.000 people, produces in the region of 5 million articles, and exports some 75 % of its production. There are other large producers, such as Scott (Germany), Bormioli Rocco (Italy), and Durobor (UK - ex Ravenhead), but the majority of the 103 Community producers are small- and medium-sized enterprises. The glass industry remains, in general, geographically concentrated.

From 1989 to 1994, the number of glassware-producing companies fell from 18 to 14 in France (the closures being in the crystal sector), from 38 to 25 in Germany, and from 19 to 14 in the United Kingdom.

The glass tableware sector is highly labour intensive and, therefore, vulnerable to imports from countries with low labour costs.

2. Community production

Total glassware production in 1994 was 963.229 tonnes, of which around 60 % was produced in the form of drinking glasses. After a high year in 1991, production fell by 6 % in both 1992 and 1993, but increased in 1994 by 6 %. Much of this improvement is exported since apparent consumption in the Community continued to go down. This reflects the dynamism of the Community producers on export markets.

Figures available on Community production and apparent consumption levels are given hereafter.

tonnes	1990	1991	1992	1993	1994
Production	981 000	1 032 000	967 000	911 000	963 229
Exports	293 781	358 074	299 372	301 979	368 539
Imports	110 008	121 509	135 292	149 851	149 353
Apparent Consumption	797 227	795 435	802 920	758 872	750 043
EU market share	86.2 %	84.7 %	83.2 %	80.3 %	80.1 %
Imports market share	13.8 %	15.3 %	16.8 %	19.7 %	19.9 %

Source: Imports/exports: EUROSTAT
 Production: cpiv (EUR 11 without Spain)

3. Employment

In the period from 1980 to 1994, when total glass production went up by 34 %, the number of persons employed went down by 30 %.

The available employment figures for the Community glassware sector alone, are as follows

1990	1991	1992	1993	1994
15 603	15 428	15 366	15 212	15 000

4. Restructuring efforts

Developments which have been important for the sector over recent years include:

- increasing mechanisation, which has brought with it a significant fall in prices and extended product ranges,
- technological innovations to respond to the rapid spread of dishwashers and microwave ovens,
- new forms of distribution, particularly mass distribution.

B. Sensitivity to Chinese imports

1. Import trends

Chinese imports have been traditional suppliers of glass tableware on the EU market. While their market share appeared to be relatively low, these imports were growing at a fast rate at the time of the introduction of the quantitative restriction. They went up by 130 % in the period from 1990 to 1993. They fell back in 1994, presumably as a result of the introduction of the quota.

tonnes	1991	1992	1993	1994
CN 7013	9 978	14 374	16 722	12 462

Source : EUROSTAT

96 % of all imports of glass tableware from China are plain, simple glass products, which compete with the basic production of the Community industry.

According to the China's Customs Statistics Yearbook 1994, China exported 48.744 tonnes of glassware in 1994. Reports have also been received from the industry that the Chinese are about to launch a new export drive in the Community in the crystalline products sector (decorative products, jewellery, droplets in crystal, ash-trays, etc.).

2. Prices

The principal concern expressed by the Community glass tableware sector is the low prices of Chinese imports, which they claim substantially undercut the prices of the Community production¹ and which are below the average prices of imports from all origin.

ECU/kg	1991	1992	1993	1994
Extra-EC	3.01	2.89	2.75	2.89
China	2.02	1.85	1.96	2.23

Source: EUROSTAT

¹The Commission has however not succeeded in obtaining precise price data from the Community producers.

C. Opinion of the importers

The Union of the European Glass and Pottery Wholesalers Associations has argued that the impact of Chinese imports on the Community market is limited. However, the increasing capacity of Chinese producers to export extremely low-priced products constitutes a continuing threat for the Community glassware industry.

D. Conclusion

The glassware sector remains sensitive to the continuing increase of the imports and the growing capacity of Chinese producers to export extremely low-priced products.

4. Car radios

CN Codes 8527 21 et 8527 29

A. Situation of the Community car radio industry

1. Structure of the industry

This industry is found in a good number of Member States and is one of the main consumer-electronic products made by the major industrial groups. It is also the leading supplier of the Community car industry.

The table below lists the main producers, the Member State where they are located and the type of production engaged in.

Company	Place of production	Production activity
Blaupunkt	France	Full production
Clarion	France	Final assembly
Kenwood	France	
Philips	France	Full production
Tokai	France	Final assembly
Becker	Germany	
Blaupunkt	Germany	Full production
Matsushita	Germany	Full production
Philips	Germany	Full production
A R Systems	Spain	Full production
Clarion	United Kingdom	Final assembly
H.E.A.	Austria	
Pioneer	Belgium	Full production
Blaupunkt	Portugal	Full production
Ford Electronics	Portugal	Full production
Grundig	Portugal	Full production

2. Community production

In 1994 Community production of car radios rose, although the level of exports was well down on the previous year, as the table below shows:

units	1992	1993	1994
Production	7 870 000	6 893 000	9 234 000
Exports	878 300	1 894 700	1 044 000
Imports	12 332 824	9 506 026	8 764 765
Apparent consumption	19 324 524	14 504 326	16 954 765
Market share of EC producers	36.2%	34.5%	48.3%
Market share of imports	63.8%	65.5%	51.7%

The rise in production in 1994 can be explained by the exceptional expansion of the car industry that year. Since car sales fell in 1995, this upward trend is likely to falter.

Community production, which has less than half the Community market, is moving towards more sophisticated products, such as radios with CD players or numeric systems (RDS - radio data system). Philips estimates that about 30% of the car radios sold in the Community are now equipped with RDS and expects this percentage to rise to 60 in 1998.

Production of simple car radios that are not combined with cassette players (CN code 8527 29) is dwindling because of the lack of demand for these products. In view of this, protection for such products appears unnecessary.

3. Employment

Despite the rise in Community output, jobs directly linked to the manufacture of car radios are disappearing.

	1992	1993	1994
Direct employment	7 558	7 501	7 399

In the last three years some factories in the Community have been shut down (Alpine and Blaupunkt in France, Gelhard in Germany), while Clarion, Philips and Pioneer have shed jobs.

B. Sensitivity to Chinese imports

1. Import trends

Imports of combined radios from China rose sharply between 1992 and 1993. Despite a slight dip in 1994, the overall increase since 1992 is 26.48%.

Imports into the Community of car radios from China

units	1992	1993	1994
combined car radios 8527 21	1 933 260	2 658 816	2 445 159
- 8527 21 10	36 670	80 609	114 093
- 8527 21 90	1 896 590	2 578 207	2 331 066
non-combined car radios 8527 29	154 707	236 692	85 443

Source: EUROSTAT

Imports from China as a share of all imports into the Community

CN code	1992	1993	1994
8527 21	16.65 %	29.74 %	28.86 %
8527 21 10	7.61 %	16.17 %	23.12 %
8527 21 90	17.04 %	30.58 %	29.21 %
8527 29 00	21.47 %	41.73 %	29.09 %

Source: EUROSTAT

If we compare the statistics on Community imports with those for total Chinese exports of car radios in 1994, we get an idea of the country's export potential.

CN code	Exports (units)
8527 21	15 150 868
8527 29	479 702

Source: China's Customs Yearbook 1994

2. Import prices

The unit prices of Chinese car radios are well below those of Community products. Since the PRODCOM system is not yet operational we cannot know precisely the extent to which Chinese imports are undercutting Community products but an idea of the price difference can be obtained by comparing average import prices and average prices of Community exports, which in 1994 were ECU 108 for combined radios and ECU 95 for non-combined radios.

The table below shows also that in 1994 the prices of imports from China were lower than imports from any other origin:

ECU/unit	EC exports	Imports from China	Imports of all origin
8527 21	108	26	62
8527 29	95	20	56

Source: EUROSTAT

The price levels of Chinese products do not reflect the quality, which is constantly improving. Chinese car radios are competing directly not only with bottom-of-the-range Community products but increasingly with middle- or even top-of-the-range products. Therefore, Chinese competition in this area of the market is going to increase and the threat constituted by these imports will be all the greater.

C. Conclusion

The combined car radio sector remains sensitive because of the volume, market share and low prices of imports from China, and the export potential of Chinese producers.

5. Toys

CN Codes 9503 41, 9503 49, 9503 90

A. Situation of the Community toy industry

1. Structure of the industry

The toy industry embraces a wide range of different-sized firms, with small firms predominating, as we can tell by the fact that the 2 600 firms in the sector employ just under 100 000 workers in total and only 15 of them have over 500.

This fragmentation goes hand in hand with a great diversity in the toys produced in the Community (stuffed toys, plastic toys, scale models of trains and cars, board games, metal miniatures, cardboard games and die-cast objects).

The toy industry tends to be concentrated geographically in France (the Jura), Italy (Milan), Greece (Attica), Germany (Bavaria) and Spain (Alicante). These regions typically account for 50% to 60% of all toy production in the Member State concerned and are home to the auxiliary industries as well as toy manufacture.

The industry has been restructuring in recent years with the aim of regrouping and reaching the critical size necessary to develop an international manufacturing strategy. But quite a few small manufacturers keep going by targeting specific market niches.

2. Community production

The structure of the industry makes it impossible to procure information on the quota products in isolation.

Total Community production dropped back slightly in 1994, despite improved exports. Community market share in 1994 was split 40:60 in favour of imports.

The overall picture for Community production of products falling within CN codes 9501 to 9505 is as follows:

ECU '000	1992	1993	1994
Production	3 110 412	3 033 146	2 879 777
Exports	961 588	1 076 856	1 220 209
Imports	4 954 520	4 828 483	4 326 595
of which imports from China	1 979 575	2 196 957	2 069 550
Apparent consumption	7 103 344	6 784 773	5 986 163
Market share of imports	69.7 %	71.2 %	72.2 %
Market share of imports from China	27.9 %	32.4 %	34.6 %

3. Employment

The Community figures on employment in the sector, which is grouped with that of sports equipment are given below:

Number of workers	1990	1991	1992	1993
Direct employment	71 065	68 336	65 012	61.906

Because of the geographical concentration of this industry, any job losses have a serious effect on the regions concerned.

B. Sensitivity to Chinese imports

1. Import trends

The table below shows the trends in imports from China with separate breakdowns for quota and non-quota toys.

ECU '000	1992	1993	1994
Toys under quota 1994	991 965	1 153 117	814 519
- 9503 41	260 117	302 919	247 764
- 9503 49	110 648	171 334	88 686
- 9503 90	621 200	678 864	478 069
Toys not under quota	987 610	1 043 840	1 255 031
Total	1 979 575	2 196 957	2 069 550

Source: EUROSTAT

A comparison of the trends in imports of quota toys and imports of non-quota toys is a good illustration of China's capacity to export to the Community market. Clearly, without quantitative restrictions, imports of the products now under quota would have continued to rise at the fast rate recorded before 1994.

China's exports to all destinations of toys of the type subjected to quotas in 1994 gives an idea of this country's export potential.

ECU	Total exports
9503 41	574 879 000
9503 49	125 900 000
9503 90	1 116 163 000
Total toys under quota	1 816 942 000

Source : China's Customs Statistics Yearbook 1994

2. Import prices

The average unit prices of toys under quota originating in China are lower across the board than those of other Community suppliers.

The figures in the table below give an ideas of the extent to which Chinese prices undercut Community products.. With no data available on ex-works prices of Community products, the comparison is made with Community export prices.

Average prices of imports from China and of Community exports
(ECU/tonne)

Product		1992	1993	1994
9503 41	EU	14 179	13 137	13 400
	China	7 737	7 831	7 314
9503 49	EU	9 172	9 736	9 420
	China	5 944	6 013	6 106
9503 90	EU	7 724	7 248	7 009
	China	5 116	4 812	4 926

Source : EUROSTAT

Another problem faced by the Community industry is counterfeiting, especially now that Chinese producers have computer-assisted design programmes to help them produce accurate copies of Community products. The Community has adopted instruments to combat this phenomenon, which is causing problems for Community producers on both external and internal markets.

C. Opinion of the importers

Toys Manufacturers of Europe (TME), Toys Traders of Europe (TTE), the Hong Kong Toys Council, the Japan Toy Association and John Lewis Partnership (UK) made the following remarks on the quotas on toys.

- The quotas are of no benefit to the Community toy industry, which does not have the production capacity to offset a drop in imports from China, especially in the case of stuffed toys. Part of China's market was taken over by imports from other Asian countries, such as Vietnam and Indonesia (John Lewis), and Taiwan, South Korea and the Philippines (TME/TTE). This shift was not in the interests of Community consumers because it has led to price rises (Japan Toy Association) and because Chinese products are more likely to meet Community safety standards than those of the new suppliers (Hong Kong Toys Council).

- Quotas lead to a massive stockpiling of products so that it is difficult to respond to a fast-moving toy market (TME/TTE), for which great flexibility is needed (John Lewis);

- The introduction of quotas in 1994 caused the loss of 500 jobs and reduced profits by ECU 27 million in the UK (TME/TTE).

These arguments prompt the following remarks:

- The figures available do not confirm the importers' accusation of substitution. Whatever the case, imports from Korea and Taiwan are declining steadily because of their cost, and imports from other countries remain marginal.

- **Contrary to what importers argue, Community producers reported improved sales after the introduction of quotas.**

- **The import prices of Chinese toys did not rise in 1994, as the table in point B.2 illustrates.**

- **The argument that greater flexibility is needed appears to be a pertinent one because of the special features of the toy market, above all the need to adapt to changing consumer demand. One way of achieving it would be to merge the three quotas into one. The Community industry has said that it is not opposed to such a move.**

D. Conclusion

The toy sector remains sensitive because of the volume of imports from China in both absolute and relative terms, their low prices and the export potential of Chinese producers.

6. Fashion gloves

CN Codes 4203 29 91 et 4203 29 99¹

A. Situation of the Community fashion gloves industry

1. Structure of the industry

The industry is very fragmented and fairly concentrated in a few less developed regions. The manufacture of leather fashion gloves is coupled with that sports or knitted gloves or leather articles in quite a few cases.

2. Community production

It has not been possible to obtain complete figures on Community production and sales of fashion gloves because of the sector is so fragmented.

Production trends in France, the Community's leading producer, illustrate the state of the sector in the Community.

1991	1992	1993	1994
679 000	523 000	462 000	511.000

(pairs)

Source: CNC

¹ The quota previously covered all products falling within tariff heading 4203 29 and was restricted to fashion gloves by Council Regulation (EC) No 538/95 of 6 March 1995. The protective gloves thus liberalized accounted for 90 % of the original quota.

Since Community production satisfies only a small proportion of Community demand, the continuation of quantitative restrictions would appear to be unjustified.

3. **Employment**

Figures for employment in the Community are not available. In France the workforce has been halved over the last ten years and stood at 992 employees in 1994.

B. **Sensitivity to Chinese imports**

1. **Import trends**

Imports from China rose by 36.5% between 1991 and 1994, accounting for nearly 30% in volume of all imports in 1994.

ECU	1991	1992	1993	1994
Extra-EC	45 171 000	49 081 000	50 023 000	53 060 000
China	7 348 000	9 826 000	11 508 000	10 033 000

Pairs	1991	1992	1993	1994
Extra-EC	8 454 103	10 585 041	9 436 305	10 613 649
China	1 741 754	2 744 535	3 000 896	2 989 396

Source: *EUROSTAT*

2. Import prices

The average unit prices of fashion gloves imported from China fell in 1994 for reasons that are difficult to explain, the price of the raw material, leather, having risen by 20% to 25% on international markets. Prices of Chinese products are lower across the board than those from other suppliers.

4203 29 91	1991	1992	1993	1994	1993->1994
Extra-EC	5.01	4.12	5.33	4.90	-8.07 %
China	4.23	3.65	4.23	3.41	-19.39 %

4203 29 99	1991	1992	1993	1994	1993->1994
Extra-EC	5.66	5.06	5.27	5.06	-3.98 %
China	4.21	3.50	3.54	3.31	-6.50 %

ECU/pair

Source: EUROSTAT

D. Conclusion

Since Community production satisfies only a small proportion of Community demand and specializes in products with which Chinese products are not in competition, the continuation of quantitative restrictions would appear to be unjustified.

III. Conclusions

From the information it has gathered the Commission has drawn the following conclusions.

1. The sectors covered by the quantitative restrictions have made efforts that have borne fruit and are continuing to do so, but they remain sensitive.
 - The overall situation is precarious: all these industries are affected in varying degrees by stagnating or falling production, declining sales in absolute terms or in terms of market share, small profit margins, closures and job shedding.
 - Most are labour-intensive, fragmented industries that are particularly vulnerable to competition from low-cost countries and have already lost a large slice of the Community market to them.
 - Most are engaged in restructuring exercises which look promising but are costly and difficult to carry out - a wave of low-cost imports would condemn them to failure.
 - Some have relocated part of their production, are considering doing so, or have subcontracted work in low-cost countries in order to reduce costs and so compete with these low-cost countries.
 - If their sales on the Community market, and hence output, are further eroded, which will have knock-on effects up- and downstream, these industries may fall below the necessary "critical mass" for viability.

2. Chinese competition in these sectors remains a real threat:

- China has enormous - and growing - production and export capacity in all the sectors covered by quantitative restrictions and its exporters would soon be in a position to unleash huge quantities on the Community market.
- Imports from China had already seized sizeable market share, or were in the process of doing so, when quantitative restrictions at Community level were introduced.
- The prices of imported Chinese products remain much below those of comparable Community products. They are also well below those of other Community suppliers. The extent of this undercutting is such as to give Chinese producers the chance of disrupting the Community market.
- Frequent occurrences of counterfeiting in the case of some products further distorts competition.

- **An additional consideration is the particular nature of the Chinese economy. China has over the last years made enormous strides to liberalize its trade regime and open its economy to the world. Although these measures represent important steps forward, they are clearly insufficient to make the Chinese trade system compatible with internationally accepted rules. The Chinese authorities still exercise great influence on the workings of Chinese industry: e.g. artificially low prices that do not reflect the real economic cost of the products concerned and export strategies that are governed by not strictly commercial considerations. This aspect is dealt with at greater length in the Commission's communication to the Council of 5 July 1995 on a long-term policy for relations between China and Europe.**

There is thus reason to believe that the abolition of quantitative restrictions would lead to a renewed upsurge in imports from China and a further dangerous weakening of the market position of the Community industry concerned.

In light of the above, the Commission believes that the reasons that led the Council to introduce the quantitative restrictions covered in this report are, overall, still valid.

CHAPTER 3

IMPLEMENTATION AND MAINTENANCE OF SURVEILLANCE MEASURES

I. Purpose of surveillance measures

The Council introduced these measures to keep imports of a variety of products under closer observation in cases where the trend gave cause for concern but was of no immediate danger to the Community industry.

II. Implementation

Prior Community surveillance is carried out through a system whereby licences are automatically issued free-of-charge for any quantity requested within five days of the lodging of a request by a Community importer.

Regulation (EC) No 519/94 brought in a standard simplified Community surveillance document which reduced to a minimum the formalities to be accomplished by importers and Member States in connection with imports under surveillance.

Unfortunately, despite repeated requests, many Member States either did not provide the information they were supposed to give on the issue of surveillance documents or provided only partial information or gave it too late (with the exception of footwear), so robbing the surveillance system of much of its usefulness.

III. Trends in imports of products under surveillance

The table overleaf gives import figures, in thousands of ecus, for products under surveillance in 1994, excluding footwear, and sets them against the 1993 figures.

CN code	Description	1993	1994	China/Extra-EC (1994)
1901 90 90	Food preparations	2 180	2 408	7.33%
2101 30 11	Roasted chicory	0	0	-
2101 30 19	Other roasted coffee	0	0	-
2819 10 00	Chromium trioxide	810	1 089	13.95%
2827 10 00	Ammonium chloride	1 335	1 083	69.60%
2905 49 90	Other polyhydric alcohols	183	1 716	5.83%
2918 14 00	Citric acid	20 360	28 380	29.06%
2934 90 60	Monothioles	1 491	423	1.49%
2941 30 00	Tetracyclines and their	22 199	38 101	49.29%
2941 40 00	Chloramphenicol	10 601	9 736	78.80%
3204 13 00	Basic dyes	4 827	7 815	27.31%
3204 15 00	Vat dyes	3 284	5 034	13.03%
3204 16 00	Reactive dyes	2 841	1 824	1.63%
3204 19 00	Other colouring matter	4 775	6 570	3.91%
3604	Pyrotechnic articles	38 013	41 578	77.12%
3905 20 00	Polyvinyl alcohols	8 467	15 748	17.14%
6906 00 00	Ceramic pipes, conduits, etc.	1	0	-
6907 10 00	Unglazed ceramic flags and	4	9	2.43%
6913 10	Ornamental articles of	91 182	94 126	65.62%
7004 90	Other glass	3 514	3 485	9.29%
7010	Carboys and bottles	645	1 222	0.70%
7901 12	Zinc, not alloyed	0	0	-
8712 00	Bicycles	29 426	1 680	0.35%
9503 30	Construction sets	10 802	33 687	14.52%
9503 60	Puzzles	4 422	5 201	27.45%
9504 40	Playing cards	2 020	2 318	26.96%
9603 21	Brooms and brushes	1 343	1 992	3.85%
9603 29	Brooms and brushes	11 232	14 476	33.69%
9603 30	Brooms and brushes	4 268	5 068	17.21%
9603 40	Brooms and brushes	12 461	15 174	27.09%
9603 90	Brooms and brushes	9 381	12 267	25.09%

Source: EUROSTAT

In the case of footwear imports Eurostat figures do not distinguish between those under surveillance and those not, so the Commission can only refer to the surveillance documents issued in 1994.

ex 6402 99	9 989 423 pairs
ex 6403 91 et 99	14 122 199 pairs
ex 6404 11	6 288 335 pairs
total	33 361 807 pairs*

* including 2 961 850 pairs for Italy, for which the breakdown by category is not known.

IV. Should surveillance measures be maintained?

The figures provided here show that imports of a range of products have increased significantly. The Commission believes that prior surveillance should be maintained for these products.

In the case of other products (CN codes 2101 30 11, 2101 30 19, 2819 10 00, 2934 90 60, 3204 16 00, 3204 19 00, 6906 00 00, 6907 10 00, 7010, 8712 00 and 9603 21) where imports are insignificant or down on 1993, the Commission believes it unnecessary to maintain surveillance measures and so, with a view to reducing the administrative burden, proposes that they be excluded from the list of products subject to such measures.

CHAPTER 4

CONCLUSIONS AND PROPOSALS OF THE COMMISSION

In view of the above, the Commission believes that the system of quantitative restrictions and surveillance measures set up under Regulation (EC) No 519/94 should be maintained but with the following adjustments.

1. Quantitative restrictions

- Abolition of the quota on fashion gloves falling within CN codes 4203 29 91 and 4203 29 99
- Abolition of the quota on car radios not combined with recording or reproducing apparatus falling within CN code 8527 29
- Fusion of three toys quotas into one
- Increase of the level of the quotas

In establishing the level of the quotas, the Commission and the Council have always endeavoured to strike a balance between adequate protection of the sectors of the industry concerned and maintenance of an acceptable flow of trade with China, taking into account all the interests at stake.

The Commission believes that in the light of the experience gained in implementing the quotas, a moderate increase of 10% in the quotas would be appropriate and in conformity with the above objective, without being likely to disrupt the Community market conditions. For footwear, however, the Commission proposes a smaller increase of 2 % in view of the great sensitivity of this industry.

The proposed increases give the following results:

Products		Quotas 1995	Quotas 1995 after increase
<i>Footwear (rubber)</i>	<i>ex 6402 99</i>	<i>39 151 481 pairs</i>	<i>39 935 000 pairs</i>
<i>Footwear (leather)</i>	<i>6403 51 & 59</i>	<i>2 740 116 pairs</i>	<i>2 795 000 pairs</i>
<i>Footwear (leather)</i>	<i>ex 6403 91 & 99</i>	<i>11 881 963 pairs</i>	<i>12 120 000 pairs</i>
<i>Footwear (textile)</i>	<i>ex 6404 11</i>	<i>18 228 780 pairs</i>	<i>18 595 000 pairs</i>
<i>Footwear (textile)</i>	<i>6404 19 10</i>	<i>31 897 716 pairs</i>	<i>32 535 000 pairs</i>
<i>Porcelain</i>	<i>6911 10</i>	<i>43 619 tonnes</i>	<i>48 000 tonnes</i>
<i>Ceramic ware</i>	<i>6912 00</i>	<i>33 000 tonnes</i>	<i>36 300 tonnes</i>
<i>Glassware</i>	<i>7013</i>	<i>14 210 tonnes</i>	<i>15 600 tonnes</i>
<i>Combined car radios</i>	<i>8527 21</i>	<i>2 238 899 pieces</i>	<i>2 450 000 pieces</i>
<i>Toys</i>	<i>9503 41, 49 & 90</i>	<i>1 056 996 632 ecus</i>	<i>1 160 000 000 ecus</i>

2. Surveillance measures

The proposal is to end surveillance on products falling within CN codes 2101 30 11, 2101 30 19, 2819 10 00, 2934 90 60, 3204 16 00, 3204 19 00, 6906 00 00, 6907 10 00, 7010, 8712 00 and 9603 21.