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STATEMENT BY REPRESENTATIVE OF EUROPEAN COMMUNITY ON 14 FEBRUARY 1977

I should like to make some comments on behalf of the European Community on the proposals presented to this group by developing countries. These comments are intended to be a contribution to the discussion on this subject rather than to indicate the formal Community point of view.

The principal proposals are by Brazil and Mexico (the ideas put forward by Nigeria and Pakistan are broadly similar to Brazil).

There are four main ideas:

- "as a general rule" (Brazil) or "as a guiding principle" (Mexico) the coverage of safeguard measures should not include developing countries, unless
- following reference to a multilateral surveillance body, application of such measures to developing countries has been authorized;
- in all cases where application to developing countries is envisaged prior consultation would be necessary (and in line with the point above where this was not possible i.e. in emergency circumstances, the measures would not apply to developing countries until consultations had been held);
- adjustment assistance measures would be obligatory in all cases of measures applying to developing countries.

These are the main ideas. There are of course other points of procedure e.g. in relation to criteria for applying measures, base levels and growth rate to be applied, duration etc. We have a number of comments of details on these points but they seem to me at this stage subsidiary to the principal ideas mentioned above.

This is not a question of principle or of a rule to be fixed a priori. We have to consider the context which is that a contracting party finds it necessary to suspend its GATT obligations in order to remedy a particular situation. The only general principle that applies here is that contracting parties should stand by their obligations to all other contracting parties, developed and developing alike: if a safeguard action is envisaged and exceptional compelling circumstances already exist.

Consequently it is not a matter of excluding developing countries as a general rule. It may however be a matter of insuring that all contracting parties observe proper criteria for invoking safeguard measures and this is a point which is true for all situations, not only those affecting developing countries.

In any event what are the realities? Developing countries often represent the most dynamic, rapidly growing element in a sudden growth of imports. As such they do cause injury.

Let me give a few examples from our recent experience. In one recent investigation conducted by one of our major trading partners we find that there are six major suppliers to the market. Of these six, two are developing countries whose exports doubled or more than doubled between 1975 and 1976. Of the other four major suppliers, three are equally developing countries whose exports in this period were more or less stable while the fourth is a developed country whose exports fell. I quote this case only to illustrate the fact that developing countries are involved in the situation that has developed and that it would be quite unrealistic to ignore that fact.

I might just quote two other cases. In another recent investigation the two principal suppliers were both developing countries who had increased their exports substantially in the last five years, in one case very rapidly indeed. In another case in our own market where we faced a critical supply situation, five of the eight major suppliers were developing countries. Again I am not trying to say that developing countries were solely responsible but they are often among the principal suppliers when situations of this kind arise. Given this fact general rules in favour of developing countries are not likely to fit the situation. What is needed is selective treatment on a case-by-case basis according to the suppliers that cause the damage.

Looking ahead, with the increased competitiveness of certain developing countries and with the advantages of GSP it is clear that safeguard situations will arise and perhaps more regularly. Any differential treatment for developing countries in the safeguard area must take account of this fact.

Prior authorization: This is not acceptable. The balance of Article XIX consists in a decision by the importing country balanced by the right of the affected country to retaliate. It is essential to maintain this balance. In other GATT situations e.g. Articles VI or XII it is again the importing country that decides. Even in the special sector of textiles under the MFA the importing country makes a judgement which is then reviewed by the surveillance body.

We must therefore be particularly careful not to alter this balance in a way which could prevent countries from accepting obligations which might later be too difficult to suspend. On the other hand the idea of multilateral review of action

taken and the reasons after the event as in the case of the MFA, might be elaborated and several existing proposals envisage this.

Prior consultations: We have put forward ideas on this point. It should be remembered that this is already the Article XIX rule. It should be observed to a greater extent. But it is also clear that emergency situations will continue to arise and that in some cases the dynamic causes will lie in exports from developing countries. So it would be unrealistic not to have some provision for holding action without prior consultation, as in XIX:3.

On adjustment assistance we have nothing to add to our statement in SG/W/18 (at page 7) where it is perfectly clear that we do not consider it appropriate for such measures to be obligatory in all circumstances. I might perhaps add, as a comment on paragraph 12 of the Mexican proposal, that I find it difficult to understand how prior studies to identify emergency situations in advance could be very helpful. Analysis of developing market situations is in any case being carried out all the time and adjustment by the domestic industries concerned also takes place naturally. The idea that one might avoid all need to apply safeguard measures by perfection of these techniques does not seem to me to be valid.