

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Multilateral Trade Negotiations

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## SAFEGUARDS

(Circulated at the request of certain developing countries)

(The following proposals are not exhaustive)

### I. GENERAL APPROACH

1.1 The aim of the negotiations on safeguards should be an agreement on an adequate multilateral safeguard system, which would further the objective of trade liberalization and preserve its results. Such a system should relate strictly to emergency action taken to provide temporary relief to domestic producers from import competition, as elaborated below. It should also ensure that such emergency action is effected under Article XIX or multilaterally agreed codes or arrangements under GATT and not otherwise.

1.2 Agreement on a safeguard system would not by itself meet the special situation and requirements of the developing countries. Special and differential measures in favour of developing countries, taking into account fully their development, financial and trade needs, will, therefore, have to be incorporated into the safeguard system.

1.3 The justification for according such differential treatment to developing countries was recognized at the time Part IV was added to the General Agreement, and the provisions of Article XXVII provide a nucleus which should be further developed in the negotiations on safeguards.

### II. SPECIFIC ELEMENTS

#### 2. Basic provisions

2.1 Where difficulties experienced by domestic producers in developed countries derive from structural problems, or shifts in comparative advantage in favour of developing countries, the appropriate remedy is adjustment assistance and not import relief. In such situations, therefore, safeguard action should not, as a rule, be taken.

2.2 Developed countries should facilitate the development of new policies and strengthen existing policies that would encourage domestic factors of production to move progressively from the lines of production which are less competitive internationally, especially where the comparative advantage lies in favour of developing countries, thus providing, inter alia, larger export possibilities for the developing countries and contributing to the attainment of their development objectives. The development and strengthening of such policies would encourage the redeployment of the industries of the developed countries which are less competitive internationally to developing countries, thus leading to structural adjustments in the former countries and a higher degree of utilization of natural and human resources in the latter.

### 3. Serious injury

3.1 The objective conditions that must exist before recourse is had to safeguard measures should be defined with greater precision and clarity. To this end, participants should seek:

- (a) elaboration of criteria regarding the concept of serious injury based on certain economic indicators such as: production, sales, capacity utilization, employment, return on investment, stocks and inventories, etc. for the sector as a whole;
- (b) prior determination in each case of the fact of existence of serious injury; and
- (c) establishment of a causal link between imports and the serious injury i.e. that imports are the direct, major and substantial cause of the injury.

3.2 Since competition results from economic factors, such as, technology, power and spread of marketing organizations, publicity, prices, as also changes in consumer tastes, it would be inappropriate to single out any one such factor in the above context.

### 4. Impact on developing exporting countries

4.1 There should be no resort to safeguard measures in cases where such action would cause serious damage to affected developing countries, in terms of present and potential importance of the export product in question for the economy of the countries concerned, as well as the importance of the market of the particular developed country for the exports of the product by developing countries.

4.2 The developing countries whose exports are adversely affected by safeguard action by a developed country, should have the same rights for consultation and other action, as "substantial suppliers".

5. Conditions governing safeguard measures

5.1 The initial duration of safeguard measures by developed countries, in cases where the interests of developing countries are involved should not be more than one year and their continuation beyond one year should be subject to multilateral review. Extensions not exceeding one year at a time would be authorized only where the importing country proves satisfactory progress in structural adjustment and provided that the other conditions requiring safeguard action still persist. In any event, the total period of such action should not exceed three years.

5.2 Safeguard action should not involve any cut-back on the level of imports from developing countries on the highest performance in a base period to be agreed.

5.3 During the period of application of safeguard measures, progressive, time-bound liberalization, should take place, with reasonable growth rates for imports from developing countries.

6. Modalities of action

6.1 Under no circumstance should developing country imports be discriminated against or receive treatment less favourable than developed country imports.

6.2 Developing country exports shall be given preference in allocation of quotas and administration of licences.

7. Multilateral surveillance

7.1 A standing body should be set up to supervise the implementation of the safeguard system. The composition of this multilateral surveillance body should provide for adequate representation and effective voice for developing countries. Its functions should include surveillance, review and interpretation. It should particularly review the adjustment measures taken by the developed countries.

8. Implementation and enforcement

8.1 The objective of promoting and preserving trade liberalization would be better served through an obligation to compensate.

8.2 Without prejudice to the rights of developing countries under GATT, where the retaliatory capacity of developing countries is insufficient for securing enforcement of their rights, contracting parties should collectively assume the responsibility of protecting the interests of these countries.

8.3 The general issue of impairment and enforcement is being discussed in detail in Group "Framework".

### III. SAFEGUARD ACTION BY DEVELOPING COUNTRIES

Special provisions shall have to be elaborated for the application by developing countries of safeguard measures, having regard to their needs and interests, particularly their development and trade needs.