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STATEMENT BY REPRESENTATIVE OF CANADA ON 14 FEBRUARY 1977

I welcome this opportunity to make some initial comments on the various papers which have been submitted to this Group by developing countries. Later, as the work of the Group progresses, we will no doubt have occasion to examine and consider the ideas put forward in these papers in more detail.

First: a general and broad consideration: it became clear as we prepared for this meeting that the developing country proposals could not be considered in isolation; much of this statement will therefore be of general applicability.

Concern is expressed in these papers about the possibility of safeguard action eroding the benefits of trade liberalization. I think for instance of the note submitted by the delegation of Mexico in which that delegation noted that trade aspirations resulting from negotiation might have to be abandoned when a safeguard measure is imposed and particularly if it is maintained indefinitely. It is a major concern of my delegation, and was during the preparatory phase for these negotiations, that the new liberalized conditions of trade not be impaired through the application of inappropriate safeguard measures. It was for this reason that we supported preparation of the note by the GATT secretariat on the subject "Safeguards for Maintenance of Access"; this note was prepared for the Committee on Trade in Industrial Products in 1973. This objective, the preservation of the results of the negotiation, is an objective to which we will work in co-operation with our partners both developing and developed.

Most of the subject matter in the four papers prepared by developing countries, listed in the agenda for this meeting, deal with the question of the imposition of safeguards against the exports of developing countries. There is also of course the question of safeguard action taken by developing countries. The papers before us do make reference to this matter, although they do not set out any specific proposals. My delegation feels that this issue should be considered by the Group with great care, and there should be precise rules and precise obligations assumed by developing countries relevant to safeguard actions by them.

Rather than address each proposal individually, I have attempted to group the issues raised by developing countries under the following four major headings: first, the criteria to be met before emergency action could be taken; second, the conditions which should be observed when action is taken; third, the question of adjustment assistance; and fourth, the matter of surveillance of the system and the rôle of an international body.

Criteria to be met before emergency action could be taken

All the papers prepared by developing countries suggest that as a general rule the exports of developing countries should be exempted from safeguard action by developed countries. These proposals go on, however, to set out tightly specified situations in which emergency action could be taken by developed countries against the exports of developing countries. Three of these papers suggest that such action could be taken in "compelling and exceptional circumstances" and the Mexican paper suggests that the exports of developing countries be excluded from safeguard action "even in emergency situations". My delegation has always taken the view that safeguard action should be taken only in genuine emergency situations. In looking at these suggestions, I am concerned, therefore, that in attempting to make it more difficult to take safeguard action against developing countries, we might end up making it easier to take safeguard action against the exports of developed countries. Clearly this would be a negative development and I am sure is not intended. We are certainly prepared to work together with developing countries to ensure that we develop a system in which safeguard action will only be taken in real emergencies.

The four proposals also suggest specific criteria that should be met before action is taken against the exports of the developing country. For instance, the Brazilian proposal suggested, inter alia, that the increase in imports which would be needed to justify safeguard action should be "disproportionately greater than the rate of growth of domestic consumption of the product in the importing country". In the Group's work we should give consideration to how to deal with the special problems created when domestic consumption of a product is falling and its growth rate is therefore negative. Even if imports were declining in such a situation, their share of the market could be increasing at a disproportionately great rate. This consideration is also relevant to the question of roll-back.

With respect to injury the Brazilian note suggested the increase in imports from developing countries should be "the major cause of effectively verified serious injury to domestic producers", and went on to propose certain criteria which should be examined in determining such injury. My point in noting such criteria today is not to comment on them definitively but to say that we share the concern expressed by developing countries that more detailed work should be done in this area. Here again we are prepared to consider the specific proposals which have been made by developing countries as our work proceeds. In many cases we would like to see elements of these proposals applied generally, not just with regard to the exports of developing countries.

Under this heading I should note that in emergency situations, when imports are causing serious injury to producers in Canada, the Canadian authorities will want to preserve the right to take action regardless of the source of those imports. Our ability to take safeguard action in such situations will have an important influence on the nature of the tariff concessions we can make. If safeguard action were to become practically and procedurally too difficult against the imports of developing countries, we could be correspondingly reluctant to reduce our tariffs on products of export interest to them, at least on an m.f.n. basis. In the case of the GSP, of course, safeguard action is a unilateral policy function of the preference giving country.

Conditions to be observed when action is taken

Prior consultation

The developing countries have suggested that there should be mandatory prior consultation before emergency action is taken against their exports. My delegation is not persuaded that the precise provisions for consultation in Article XIX need to be changed or that they could easily be improved. However, they do need to be applied, and that is not always easy.

Duration of measures

The suggestion is made in some of the developing country papers that there should be a one-year time-limit for the application of measures against developing countries. We would like to ensure that all emergency action is of a truly short-term nature but, of course, what is short term, depends on the nature of the trade in question and the state of world markets for that product. We indicated previously that the period set out in the Trade Act of the United States seemed, in our view, to be too long as a general rule. Agreement might be possible on a general time-limit which the developing countries would think adequately met their interests. Certainly this is a question which we are prepared to discuss further as the negotiations proceed.

Roll-back

In examining the level of imports required to be permitted under safeguard action, a number of problems will have to be considered. We would wish, for instance, to address ourselves to how to deal with a situation in which imports are increasing rapidly but domestic demand for the product concerned is falling. Closely related to the problem of roll-back is the suggestion by developing countries that there should be provision for increasing the quantity of imports from developing countries during a period when safeguard measures are in effect. Clearly in a situation such as I have described, it would be difficult to permit

absolutely increased imports. The relative extent of import penetration will also have a bearing on the ability of a country taking safeguard action to allow for growth in quota levels. In a situation in which the safeguard measure was of a truly temporary character, there might be no need to provide for annual increments, which could have the unintended effect of perpetuating the safeguard measure. In our view, the important thing should be to work towards early elimination of the measure itself.

Selectivity

The four proposals under consideration all suggest that safeguard measures should be selective in that they should be applied by developed countries only against imports coming from other developed countries. There is some suggestion as well, for instance in point 1(h) of the paper submitted by Pakistan, that such measures should only be applied against the exports of the country actually causing the injury. We have indicated earlier that we favour a continuation of the situation in which safeguard measures are applied on a non-discriminatory basis. We are concerned that the interests of the smaller countries would suffer if the major trading countries had the right to impose safeguards on a selective basis. Nor are we at all sure that safeguard action will be resorted to more sparingly if major countries, with all their bargaining power, are authorized to practise discrimination.

Withdrawal of substantially equivalent concessions and compensation

The argument has been made by developing countries that retaliatory action, or rather one should say the withdrawal of substantially equivalent concessions as provided for in the third paragraph of Article XIX, is not an effective tool in the hands of developing countries. On the other hand, the suggestion has been made that developing countries should have the right to retaliate on an individual or on a collective basis. The Brazilian proposal, for instance, suggested "the developing countries shall individually or collectively, have the right to suspend the application to the trade of the developed country having recourse to the safeguard measure of substantially equivalent concessions or other obligations".

I would be interested in some clarification as to what exactly developing countries have in mind. Would it be the intention of these proposals to permit a developing country which had not been affected in any way by a safeguard action to withdraw concessions of interest to a developed country taking such action? In such an event what would be the "substantially equivalent concessions"?

In any case, it is not at all clear to my delegation that Article XIX needs to be thus expanded, particularly in the situation in which there is not agreement as to what the Article now means.

Moreover, we would not be prepared to accept that there should be mandatory compensation. It should be noted that the present provisions of Article XIX make no reference to compensation. Clearly this is a matter which will need to be discussed further as our work proceeds.

Adjustment assistance

I spoke about this issue at the last meeting of the Group and what I said at that time is relevant to this discussion as well. If safeguard measures are of a truly short-term nature, then in our view, an obligation to extend adjustment assistance is neither necessary nor appropriate. We have argued that this is the case for instance when measures are necessitated by seasonal fluctuations in climate as has been the case in trade in certain horticultural products.

The proposals before us deal extensively with adjustment. Clearly there is some relationship between the process of adjustment and the need for safeguard measures. However, our job here is to deal with safeguards, and not with adjustment assistance as such.

As a practical matter, much adjustment has taken place in the Canadian economy since the GATT was agreed as a result of changes in the trading environment and in part as a result of past trade negotiations. Most such adjustment occurs as a result of business decisions which are taken to allocate resources where they can be used most productively.

In practice much of this adjustment has been painful, and occasioned hardship in certain industries and communities. And a considerable part of this adjustment has occurred as a result of competition from developing countries. Perhaps I might be allowed to observe that there is a political and socio-economic limit to the burden which can be borne by individual communities and workers in the face of heavily-subsidized exports.

There will probably be some adjustment in the Canadian economy as a result of this trade negotiation. Indeed we expect a continuing process of adjustment in our economy but we do not think that this process needs to be speeded up by agreeing on international rules regarding adjustment assistance.

The Nigerian delegation has suggested "the objective of any policy of adjustment assistance in developed countries should be to facilitate the reallocation of resources to lines of production which are efficient and desirable in the light of domestic and world demand, with due regard to the export interests of developing countries". Such a broad statement of objectives can be easily subscribed to by my delegation but we are not at all sure that it should be pursued through agreeing on requirements as to adjustment assistance to be added to Article XIX.

Surveillance. The rôle of an international body

We commented in some detail on this question at the last meeting of the Group and we will have more to say about this issue as our work evolves. The Brazilian paper refers to the rôle of an appropriate multilateral body and the other developing country papers also mention an international body. We attach importance to the creation of a mechanism which will permit adequate surveillance of the multilateral safeguards systems and which will provide for the fair and prompt resolution of disputes. We have always been concerned that the safeguards system should be made equally effective for all countries, large and small. A contribution to this objective can be made in the area of the surveillance and the settlement of disputes.

To conclude, I hope that it has been clear from my remarks that we have found the initial contribution made by developing countries to our discussion in this Group most helpful. Although we cannot see our way to subscribe to all of the ideas which have been put forward by developing countries, we are prepared to consider carefully the suggestions which these countries have made under the various headings of our work.