

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/SG/W/38
14 July 1977

Special Distribution

Multilateral Trade Negotiations
Group "Safeguards"

Original: English

NOTES FOR STATEMENT MADE BY REPRESENTATIVE OF CANADA ON 28 JUNE 1977 REGARDING SAFEGUARD PROPOSALS IN SECTORS

I should like to draw attention to proposals regarding safeguards or emergency action against imports, which my delegation has suggested in the Sector Group be applied to the non-ferrous metals and forest product sectors. Earlier, my delegation drew attention in the Tariff Group to the tariff proposals which we have put forward in the Sector Group, and it would be appropriate to similarly inform this Group of that part of our sector proposals which relates to safeguards.

The reason for raising this issue is to facilitate the process of the co-ordination of issues which are in play in more than one group. It has been suggested it is not feasible to negotiate a range of issues in a product related context at the same time as they are being negotiated in a "functional" group. We are convinced that such a task is feasible and that co-ordination presents no great difficulty.

I would like first to explain why we have put forward these proposals in the Sector Group and then to briefly summarize the proposals which are designed to lessen the possibility of countries resorting to emergency action on these products.

We consider that safeguard action on the products of these industrial sectors should be made more difficult than for the other products and should be resorted to only under more rigorous criteria and conditions because of the particular economic features of these sectors. The resource product sectors have certain characteristics which tend to distinguish their products from many other semi-finished and finished goods traded internationally. First, very large amounts of capital are required for mineral exploration and for the development of mines and forests, the building of refineries or sawmills and processing facilities; the optimum scale of such facilities is very large, and is certainly not decreasing. Moreover, the cost increases of the last few years have substantially increased the amount of capital needed to make new material supplies available. Second, a lengthy period, a period of years, is required not only for mineral exploration, but also to plan, construct and bring such processing and manufacturing facilities into production. Third, importing countries have expressed some interest in increasing their security of supply of such products.

Any interference with the market forces which determine investment in this chain of economic activities required to supply industrial materials for secondary industry will have an effect on the availability and the price of these materials. If one of the major industrial countries takes emergency action against the imports of a particular resource based industrial material, either in its raw or semi-processed state, this action will slow down development of that resource in the resource producing countries. The inevitable result will be that all importers of that industrial material will in due course face shortages and higher prices.

Clearly resource importers share with resource exporters the responsibility of fostering healthy economic conditions within which business decisions can be taken which play a major rôle in assuring adequate supplies of resource products at reasonable prices. In the event a resource importing country takes safeguard action against the imports of a particular resource product, countries exporting that product would, of course, be able to avail themselves of the provisions of paragraph 3 of Article XIX regarding suspension of substantially equivalent concessions. In addition the exporting country should be automatically relieved of any obligations it might have regarding the supply of that product and any other products processed from that same material, and for such time as the effects of the safeguard action might continue to be felt in terms of availability of supply. In order to increase security of supply, consideration should be given to the question of whether the obligation should be set aside only as regards the country taking safeguard action, or vis-à-vis all major importers.

I should note that it is only in these resource based sectors that emergency action against imports will affect the availability, the supply, of industrial materials for secondary industry.

In document MTN/SEC/W/7 of 30 October 1975, the Canadian delegation proposed certain elements to be included in that portion of a sector agreement which would deal with emergency action on imports. The specific proposals are found in paragraphs 16-21 of that document and although they refer to copper by way of example we have proposed that such provisions apply for both the non-ferrous metal and forest product sectors. Rather than repeat what we proposed in the Sector Group, I will cite a few of the main features of these proposals on emergency action. We suggested that, prior to a participant in a sector agreement taking emergency action, there be provision for consideration of the issue by the Group administering the agreement (which would be composed of all participants). The Group would consider whether the proposed emergency action was justifiable and would make such recommendations to the interested parties as the facts warranted.

In the event emergency action was taken, we have proposed that strict conditions be adhered to, including: (a) not reducing imports below a reasonable level based on past trade, (b) providing for growth in imports but also requiring that

restrictions be removed in not more than, say, two years, (c) requiring that adjustment plans be submitted to and reviewed by the administering Group. We also proposed automatic reference of any safeguard action to a panel which would have a continuing review function.

We have proposed such strict provisions for emergency action in certain resource based sectors because, as described above, any safeguard action taken against such products will disrupt the entire series of interdependent operations required to produce that industrial material.