

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Special Distribution

Group of Negotiations on Goods (GATT)
Negotiating Group on Safeguards

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COMMUNICATION FROM EGYPT

The following communication, dated 2 October 1987, has been received from the delegation of Egypt.

1 - A comprehensive agreement on Safeguards is of particular importance to the strengthening of the GATT system and to the balance of the whole outcome of the negotiations. Such a system shall ensure mutual advantage and increased benefits to all participants and also ensure that the rights and interests of developing countries are fully protected.

To achieve this agreement, the following elements could be relevant :

Serious injury and the threat thereof :

- 2 - As a general rule, safeguard action should not be applied by developed countries to imports from developing countries especially those who are new entrants and small suppliers.
- 3 - Safeguard action can only be taken in the case of occurrence of serious injury caused by sharp and substantial increase in imports. The causal link between increased and substantial imports and serious injury to the domestic industry and also the implication on the domestic economy as a whole must be proved before action is authorized by "a special body to be established in GATT"*.

Objective criteria to determine injury :

- 4 - Serious injury should be precisely defined so that there is no subjectivity in its determination. The following could -inter alia- be some relevant elements : decrease in output, sales, exports, profits, return on investment, capacity utilisation and employment.

* The formation and competence of this special body could elaborated further... on a later date.

The following elements should not be relevant : competition among domestic producers, product substitution, change in consumers taste, shifts in technology and structural deficiencies.

Nature of safeguard action / Temporary action

5 - Safeguard action should be applied without discrimination and should be subject to maximum time limit.

- No import relief measures should be permitted to be taken unless the contracting party seeking to apply such action has previously adopted adjustment assistance measures in the industry or sector which is affected by import competition.

- Import relief measures should take the form of tariff action. If they take the form of quantitative restrictions they shall be upon authorization of the special body.

6 - Duration for import relief measures will be a period of not more than (two years) and may be extended another year by authorization of the "special body". In special circumstances it may be extended for a fourth year. The safeguard action as a whole should not continue for more than four years.

7 - Contracting parties member of a custom union cannot be allowed to take safeguard actions. This can only be made by the custom union on their behalf.

8 - Existing safeguard actions whether under or outside Article XIX should be phased out over a period of 4 years and notified to the special body 3 months from the date of entry into force of the agreement.

Compensation and retaliation

9 - A contracting party introducing import relief measure shall provide compensation. Compensation should be agreed upon among interested contracting parties. If no agreement is reached, the matter should be taken to the "special body" to make a decision in this regard.

10 - While an import relief measure is continuing and no decision has been made by the "special body", an affected contracting party may take retaliatory measures equivalent to the safeguard measure affecting its exports.

Developing countries :

11 - Safeguard actions which would substantially affect the exports of developing countries [particularly those of new entrants and new suppliers] should be avoided.

If in exceptional circumstances - decided upon by the special body - import relief measures are taken against a developing country actions should not be applied without prior consultation with the developing country affected.

12 - Due consideration should also be taken as regards compensation and duration when safeguard action is taken against a developing country, since they have no power to retaliate.