

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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

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COMMUNICATION FROM CHINA

The following statement has been made by the delegation of China in the meeting of the Group on 7 March 1988 with the request that it be circulated to members of the Group.

Statement by the Chinese Delegation

In the Ministerial Declaration at Punta del Este, the importance of a comprehensive agreement on safeguards to the strengthening of the GATT system and to the progress of the Multilateral Trade Negotiations was well addressed.

The Chinese Government, like many Governments, is in favour of reaching a comprehensive agreement on safeguards on the basis of the basic GATT principles, including the m.f.n. principle, with a view to improving and strengthening the safeguards mechanism of the GATT.

Further to the statement made at the meeting of this Group on 27 May 1987, the Chinese delegation would like to emphasize the need to address the following points in the discussions of this Group on a new agreement:

- (i) The m.f.n. principle should be applicable to the safeguards mechanism. Any possibility of selective use of safeguards measures must be avoided either in the legal text or in the practice of the new agreement.
- (ii) The so-called "grey area" measures, which are restrictive and discriminatory, cannot be accommodated into the GATT. The existing "grey area" measures should be subject to multilateral surveillance with an aim to phasing them out. At any circumstances the elimination of "grey area" measures should not be a trade-off for opening the possibility of selectivity in the safeguards mechanism.

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- (iii) In order to counter the abuse of safeguards mechanism. The right to request compensation and to retaliate should be reserved for the contracting party subject to such measures to choose.
- (iv) The following requirements for the application of safeguards measures should be adequately elaborated in the agreement: transparency; scope; appropriateness; temporary nature; degressivity and non-discrimination.
- (v) The determination of the existence of "serious injury" should be based on the examination of the appropriate factors having a bearing on the evolution of the state of the industry in question such as: turnover; market share; profits; export performance; production; utilization of capacity; productivity and investments; etc. The determination of the injury shall not be made only according to one or several of these factors. Not any increase of imports is necessarily causing serious injury to domestic producers. The increase of imports, including the sharp increase of the import of particular products, are measurable and shall not be determined to exist on the basis of allegation, conjecture or mere possibility arising from the existence of production capacity in the exporting countries. The impact caused by imports shall be explicitly separated from those caused by the deterioration of the overall economic situation or market conditions, by the shrinkage of demand and by other factors.
- (vi) In the negotiation of a comprehensive safeguards agreement, the interest of exporting countries should be fully taken into consideration, namely their stage of development, the importance of the products in question to their economy, trade balance of payments. Special attention should be made to the special and more favourable treatment of developing countries, including the actual export benefits already acquired by the developing countries from the GSP schemes.