

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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COMMUNICATION FROM YUGOSLAVIA

The attached paper is being circulated to members of the Group at the request of the Delegation of Yugoslavia.

General

Like many other governments, the government of Yugoslavia considers that the reaching of a comprehensive safeguards agreement on a non-discriminatory and temporary basis with a view to improving and strengthening the safeguards mechanism of the GATT, should be among the most important results to be achieved in the Uruguay Round of MTN, as called for in the Punta del Este Declaration.

In order to contribute to the discussion of the negotiating objective on safeguards, Yugoslavia submits hereby its views and positions on a number of questions which are relevant to the safeguards negotiations.

Serious injury

Article XIX provides for measures to be taken in urgent cases when a sudden sharp rise in imports, due to unforeseen circumstances including the effects of granted concessions, causes or threatens to cause serious injury to local industry.

A comprehensive safeguards understanding should pay special attention to the definition of a serious injury, in order to distinguish injury caused by imports in the above mentioned circumstances from injury which is the result of other factors, of a structural and long-term nature which are manifest in the declining industries that have lost their competitive advantages. It is necessary to develop to the greatest extent possible all elements for determining serious injury and to exclude all indicators that have nothing to do with imports (e.g. technological changes, a shift in consumer tastes, substitution, etc.).

The efforts should be focussed on the establishment of a causal link between a precise definition of serious injury and a sudden sharp increase in imports.

The practice has shown that a more frequent recourse to safeguards has been a sharp increase in imports, due to structural imbalances and the lost competitive advantages. This means that only one manifestation of the problems, rather than the causes thereof, has been addressed. In the future only assistance to structural adjustment should be provided in such cases.

Measures at the frontier, in our view, should be taken into consideration only in cases of sudden problems arising out of serious injury caused by a wave of imports. These measures should be time-bound, whether by determining the maximum period of application or by a programme for reducing them (degressivity). A country applying these measures should submit a phase-out programme to the Surveillance Body. The Surveillance Body should, inter alia, verify the causal link between imports and injury.

In trying to find a compromise, consideration could be given to eventual differentiation of minor structural adjustments in the shorter term from industries which have lost their competitive advantages. While in the former case - with a strictly defined conditions and periods, trade measures could also be taken, in the latter they would be impossible.

Grey area measures

As regards grey area measures, in the present stage of the negotiations emphasis

should be placed on phasing them out through the rollback commitment. After the safeguards agreement enters into force, all grey area measures which have not been phased out should be considered as measures inconsistent with the General Agreement. New safeguards should be applied in conformity with the agreement that is now being negotiated.

Measures at the frontier

As far as measures at the frontier (tariffs or quotas) are concerned, the country applying safeguards should have a free hand. If quotas are chosen, they should be based on previous ones, and room should be left for new suppliers. Although tariffs are more transparent, the choice of both possibilities is better, because tariffs are no barrier to imports and the burden of tariffs, depending on the strength of the partner and the market situation, would be shifted on to the exporting countries, and only the most competitive among them would be able to bear that burden.

Temporary nature, degressivity and structural adjustment

The temporary nature of safeguards should imply not only the maximum time of application, but also programmes for progressive elimination of these measures. The Safeguards Surveillance Body should monitor and review periodically the implementation of that commitment, and decide, as appropriate, on their possible prolongation within the agreed periods. For example, safeguards could in principle last 2 years, with a possibility of extending

that period (if the Surveillance Body finds it necessary), but not beyond an agreed maximum time.

With regard to adjustment measures related to safeguards efforts should be concentrated on how to achieve domestic restructuring targets and avoid at the same time the negative effects on international trade, just as in the case of internal agricultural subsidies. In exceptional and emergency cases, if measures at the frontier would be permitted, they should be based on the principle of non-selectiveness, i.e. on the MFN principle. We understand the need of a particular industry to protect itself, regardless of the origin of imports, but what is involved is not an unfair trade for which other measures are envisaged under the GATT.

Compensation and retaliation

Yugoslavia as a developing and a small country cannot use the advantages of the retaliation provisions. Therefore we are interested in compensation to developing countries concerned when safeguards at the frontier are applied against the chief export of a developing country or most of its trade with the country applying the safeguards (above the percentage agreed upon). The developing countries having a small share in imports of the given product into the country applying safeguards at the frontier (below the percentage agreed upon) should be exempted from these measures in developed countries.

Notification (transparency) and surveillance

Obligatory notification and multilateral surveillance should constitute an important element of the new safeguards system. A separate body in GATT should be established for these purposes.