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SAFEGUARDS: Possible Canadian Objectives and Options
in a Comprehensive Trade Agreement

The purpose of this paper is to consider the manner in which safeguards might be dealt with in the context of the negotiation of a comprehensive trade agreement with the United States. In this paper the term "safeguards" is meant to refer to emergency action against imports of particular products, which, while neither dumped nor subsidized, nor unfairly traded in any other manner, are deemed to be causing serious injury to domestic producers. The provision of an agreed discipline over the use of such measures is important to efforts to strengthen the security of access to markets. It is this "escape clause" provision in international trade agreements which can put fairly traded exports at risk simply because they are competitive. Such a provision, if not clearly reserved for extreme situations and for the provision of temporary relief from the forces of adjustment, may have a negative effect on investment decisions which should be taking advantage of the increased liberalization in trade in a new agreement.

2. The extent to which U.S. safeguards actions under S.201 of the Trade Act of 1974, as amended, constitute a threat to the security and predictability of access by Canadian exporters to U.S. markets can be gauged only in part, by reference to the history of s.201 actions since the current section's inception in 1975. (U.S. safeguards legislation of course dates back much earlier than this.) There have been to date (November 1985) fifty-four s.201 investigations in the United States of which ten have had actual or potential impact on Canada. Of these ten actions, two were aimed directly at Canada and three have had a trade impact on Canada although they were aimed primarily at other countries. In only one instance, that of U.S. safeguards action on specialty steel, did Canada exercise its rights to compensation/retaliation under GATT Article XIX. The volume of trade affected in that case has been estimated to be \$14 to \$20 million although the actual trade loss to Canada is difficult to calculate. (Since 1948, Canada has applied safeguards measures which have affected U.S. exports on sixteen occasions.)

3. Of course the government will need to focus not only on the sort of discipline it might wish to see the United States accept but also on the kind of discipline it is prepared to effect on Canadian practices. To a considerable extent, safeguard actions by governments concern the manner in which governments should respond to the concerns of their constituents, and the extent to which their constituents should be able to petition their elected representatives for action. What sort of system should be established to manage such pressures?