

which permits countries to impose safeguards, has not worked well in the past. Countries desiring to impose import restrictions have not wanted to be subject to its many provisions, and therefore often have taken actions not covered by GATT rules. The proposed safeguards code broadens the definition of restrictive policies; includes a clause requiring that imports be proven to cause *serious injury* to domestic producers; and strengthens mechanisms for consultation, surveillance, and dispute settlement.

By placing currently "informal" import curbs within the framework of GATT, this code is designed to regulate trade controls. It could, however, also be used to justify a proliferation of restrictions aimed at developing countries. Most of the sensitive, import-competing industries in the developed countries utilize labor-intensive production, in which developing countries have an increasing comparative advantage. Indeed most of the formal and informal safeguard actions taken to date have been aimed at products of major interest to developing countries (e.g., textiles, footwear, consumer electronics).

The issue of "selectivity" is a serious point of contention. The European Economic Community (EEC) and the countries of Northern Europe have strongly advocated selectivity, which would allow countries to apply safeguards to individual (or groups of) exporting countries rather than across the board to all suppliers. The developing countries have resisted this clause, arguing that it is an attempt to discriminate against those developing countries able to compete with developed-country producers on the basis of both quality and cost.

The dispute between the European and developing countries has resulted in a stalemate, with the safeguards code yet to be completed and signed by any country. Moreover, it is probably the major reason developing countries have so far refused to sign the trade agreement as a whole. In a sense, the developing countries are in a no-win situation. Implementation of the code as proposed (especially with selectivity) could be used to their detriment; yet the absence of any agreement on safeguards leaves developed countries free to impose unilateral restrictions or to demand "voluntary" export restraints from emerging developing-country exporters. On balance, a rigorously enforced safeguards code requiring restrictions to be clearly justified and allowing them to be imposed only for specified temporary periods would be more beneficial to developing countries than the absence of any rules at all.

Subsidies and Countervailing Duties. At U.S. insistence, the Tokyo Round established a code to place greater discipline over the use of export (and other) subsidies that confer unfair competitive advantages upon the products of the subsidizing country. The provisions include an outright prohibition of export subsidies on non-primary products as well as on primary mineral products; they also allow for the imposition of countervailing duties on imports deemed to be excessively subsidized.

The code recognizes that developing countries have legitimate development reasons for using subsidies. However, this special and differential treatment for developing countries includes a provision that prohibits them from using export subsidies that adversely affect the trade or production interests of other countries. It also includes a provision for the negotiated phase-out of export subsidies. The developed countries have insisted that such advanced developing countries as Brazil, Mexico, and Korea will be subject to countervailing duties if they do not gradually eliminate subsidies used to the detriment of others in third-party markets. Brazil recently announced its intention to phase out its export-subsidy program over the next four years.

Glossary

"Buy-National" Government Procurement Policies. Government purchasing procedures that favor domestic over foreign suppliers through either percentage preferences on procurement bids or less visible administrative practices.

Code of Conduct. In GATT practice, a multilateral agreement establishing rules or principles to be followed in applying non-tariff measures.

Countervailing Duty. A charge (tariff) placed on imports to offset subsidies granted to exporters.

Customs Valuation. Determination of the value of an imported good for the assessment of tariff duties. High or low duties can be assessed depending on how the imported good is valued.

Export Subsidies. Special incentives, including direct payments to exporters or indirect policies that favor exporters, aimed at promoting sales abroad.

General Agreement on Tariffs and Trade (GATT). A multilateral agreement originally signed in Geneva in 1947 to provide rules for reducing tariff and non-tariff barriers to trade.

Most-Favored-Nation (MFN). The principle whereby all contracting parties are bound to grant each other treatment as favorable as they give any other country in the application of trade policies. Trade preferences to and among developing countries are exceptions to this principle.

Multilateral Trade Negotiations (MTN). Trade negotiations conducted by many nations at one time, a practice begun with the GATT in 1947.

Non-Tariff Barriers (NTBs). Government actions other than tariffs that have the effect of restricting international trade.

Orderly Marketing Arrangements (OMAs). Bilateral or multilateral agreements between exporting and importing countries to restrict to a specified level (in terms of value or quantity) exports that are causing or threatening to cause serious injury to the importing country or industry. OMAs are normally inter-governmental arrangements, whereas voluntary export restraints (VERs) can be undertaken by industry groups without formal government involvement.

Safeguards. Temporary emergency actions, such as higher tariffs or import quotas, designed to protect industries suddenly threatened by a large volume of imports.

Special and Differential Treatment. The principle whereby developing countries merit special consideration in trade agreements and may be relieved of full obligations under the general rules of trade.

Standards. The term for the technical or sanitary requirements that can be used as barriers to trade.