

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REVIEW OF THE GENERAL AGREEMENT

### Proposals by the Australian Government

The General Agreement on Tariffs and Trade has proved to be an inadequate instrument to meet the special needs of a country like Australia whose export earnings depend on a few main commodities sold in fluctuating world markets and which at the same time is pursuing a course of rapid economic development coupled with a vigorous migration intake.

(a) Tariff Bindings. The Australian difficulties in connection with the binding of tariffs have been explained at previous Sessions of the CONTRACTING PARTIES. Australia needs adequate flexibility to ensure that tariff changes recommended by her Tariff Board can be promptly implemented in cases where delay would cause damage, which it would be difficult to repair, to the Australian industry concerned.

(b) Commodity Policy. This question raises the general problem not confined to Australia of countries dependent on the export of a few main commodities the demand for which depends in a peculiar manner upon the policies adopted by the consuming and other producer countries. There are three aspects of special interest:

#### (1) Export Subsidies - Countervailing and Anti-Dumping Duties

It is considered that there is insufficient protection in the General Agreement against the disposal of agricultural surpluses and against export subsidies. It is necessary to have a stricter obligation on export countries by way of control of their export subsidy programmes and an obligation on importing countries, when requested in accordance with criteria to be laid down in the General Agreement, to use their executive powers to avoid the deterioration of normal patterns of export trade of other contracting parties.

#### (2) Commodity Arrangements

It is proposed that agreement should be reached at the Review Session on the principles governing international consultation and action on commodity problems - these principles to be incorporated into a collateral agreement to be separate from, but associated with, the General Agreement.

#### (3) Domestic Agricultural Subsidies

At present the General Agreement does not preclude in any effective manner the use of domestic agricultural subsidies for protective purposes. Such subsidies may seriously impair the benefits accorded to individual contracting parties. It is proposed that the present provisions of the General Agreement on this subject should be reviewed.

(c) Preferences. It is unrealistic to expect Governments to continue for all time to accept the complete and inelastic commitment on preferences contained in the General Agreement. When this commitment was taken by the Australian Government in 1947 it was thought that the International Trade Organization proposals would provide compensating advantages. These have not eventuated, and the General Agreement as it now stands does not provide compensations in proportion to the preference obligation Australia assumed in 1947. Moreover the General Agreement does not recognize the part preferences have played in the past in the economic development of the countries concerned with the consequential benefits to world trade. It rejects in altogether summary fashion the possibility that preferences may play such a rôle in the future.

The Australian Government wishes to draw the attention of the CONTRACTING PARTIES to the anomaly in the General Agreement which permits tariff bindings and other measures to be the subject of negotiation, but excludes all elements of flexibility in preferences by virtually freezing their levels for the life of the General Agreement.

(d) Quantitative Import Restrictions for Balance of Payments Reasons. Australia has no proposals for amendment of the rules in Articles XII to XIV governing the use of quantitative import restrictions to protect the balance of payments. The existing rules were carefully drafted to meet the needs of countries genuinely in balance of payments difficulties and to check abuses of the escape clause. For a country such as Australia, whose balance of payments is subject to wide fluctuations, it is essential that there should be no impairment of the rights of contracting parties under the existing articles of the General Agreement to impose import restrictions to protect their international solvency. The existing provisions for supervising import restrictions provide adequate safeguards against the improper use of those restrictions.

(e) Export Restrictions. In Australia's essential security interests it is necessary to conserve certain exhaustible natural resources. There is, however, no practical reason why any measures to prevent exports of the commodities concerned should be associated with restrictions on domestic production and consumption. It is, therefore, proposed that Article XX(1)(g) be amended to delete this requirement.