

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

1471
9 May 1961

Limited Distribution

Original: English

CONSULTATION ON THE MARKETING OF BUTTER IN THE UNITED KINGDOM

Statement by the Australian Delegation

Considerable interest has been aroused both inside and outside GATT in this the first consultation on a specific commodity problem under Article XXV of the General Agreement. It has been a new experience and the Australian delegation has followed closely the development of procedures in this case. We seek this opportunity to offer some general comments on the procedures and the content of the consultations and to state our position on the conclusions reached.

We are grateful to the Organization for European Economic Co-operation for making the report of its Council of Deputies available. Their recent analysis of the situation has been of very considerable help in our discussions. However, without in any way wishing to detract from the value of the OEEC study, the Australian delegation considers that there are basic differences between the roles of OEEC and GATT in this field stemming from differences in membership and constitution.

The Australian delegation has already emphasized in our earlier discussions that it would have expected to see the yardstick of Article XVI applied in the analysis of the problem and in recommending solutions. This should in our opinion have provided the basis for determining whether damage was occurring and which countries, by their export subsidy policies, were causing the damage to the trade of other contracting parties.

We recognize, as the report indicates, that the problem facing butter exporters is an urgent one. For this reason there has been an incentive for consulting countries to take short cuts; but in doing so we feel that some important aspects of the problem have not been dealt with adequately. Indeed in the space of three days, it would have been optimistic to expect otherwise.

This sense of urgency has led the drafting group and now this plenary meeting to suggest the adoption of the OEEC conclusions and recommendations as a guide to governments in the determination of their butter marketing policies. In taking this course, it is the view of the Australian delegation that some recommendations have been adopted, which although generally

applicable to those countries to whom they were addressed at the time they were formulated, are not really relevant to some other GATT countries at the present time. Moreover they do not reflect a country's obligations under the General Agreement.

We have been told by some OEEC countries that in the short time available for this consultation it would be unwise to depart in any way from the OEEC recommendations. The reason given was that it would take a considerable time to have any different proposals cleared by their Ministers and Governments.

The Australian delegation is placed in very much the same position in being asked to accept the OEEC recommendations and proposals as they stand. The Australian Government was of the opinion that the consulting countries would wish to take cognisance of the OEEC's work in this field but that in a GATT consultation we would then proceed to develop our own approach based on the rights and obligations of contracting parties under the General Agreement.

As a consequence, and in view of the tight time-table, there has been no opportunity for the Australian Government to consider the implications of the adoption of the OEEC recommendations and proposals. Nor has it had an opportunity to take a view on whether the outcome of this consultation offers prospects of a satisfactory solution to our butter marketing problems. The Australian delegation considers that the practical effectiveness of the resolution is open to doubt - for example the degree of obligation is bound to be interpreted differently by different countries

The Australian delegation must, therefore, reserve its position, pending consideration of the report of the consultations by the Australian Government. The Australian Government in considering the report would need to look at its applicability to Australian circumstances.

This having been said, the Australian delegation would like to make it clear that Australia is already acting along many of the lines suggested. Furthermore, the Australian delegation would like to re-emphasize that its exports are declining. The Australian stabilization arrangement is so designed as to reduce the incentive to export when export prices are below the domestic price, as they are at present. Australia is obtaining a declining share of world trade - and certainly less than an equitable share on the basis of any past representative period

The Australian delegation, having made it clear that it is unable to take a definitive position at this stage, wishes to make two comments on the substance of the report:

- (a) the contribution to the butter problem of increased butter production in the United Kingdom (an increase which stems largely from the high support price for milk) does not emerge clearly, if at all;

- (b) there is virtually no recognition of the fact that high support prices in many countries protected at the frontier by quantitative restrictions and other protective devices, has led to the virtual closing of other markets. High price supports have led, in some cases, to such a level of production that there has been a spill over into exports. Such exports are heavily subsidized, and are damaging to the exports of traditional exporters.

Any assessment of the butter situation which does not give full weight to these factors, is not likely to hold the prospect of a generally acceptable solution.

Australia is regarded as one of the most efficient producers of butter in the world. In the view of the Australian delegation it would be to the detriment of international trade generally if the tendency to seek short-term palliatives, instead of long-term solutions, were to lead to a situation in which the more efficient producers are pushed out of the export market.