

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## NEW AUSTRALIAN TRADE MEASURES

### Communication by Australia

1. The Australian Government announced on 18 July a reduction of 25 per cent in all tariffs - each tariff being reduced by one quarter of its former level - excluding a small number of revenue items and anti-dumping duties. The reduction was applied with immediate effect. The tariff reduction is to be combined with a comprehensive programme of assistance to industries and employees who may be adversely affected by tariff changes.
2. Australia, like a number of other countries, is facing increasing inflationary pressures. The Government's action is designed to restrain domestic price increases through increasing competition by stimulating additional imports from overseas. The Government considered that, of a number of possible strategies, the measures adopted would be the most appropriate in meeting its domestic and international economic objectives. The tariff reductions are estimated to have the same impact on prices of dutiable imports as a revaluation of approximately 6 per cent.
3. In making its decision the Government was conscious that this major change would contribute to current international initiatives to promote the liberalization of world trade. As anti-inflationary action, the measures adopted not only avoid the restrictive effects on trade of action to curb demand domestically, but, by reducing tariff barriers, are a positive step to expand world trade.
4. This action is consistent with the Government's long-term objectives with respect to the Australian tariff. The Australian Government will continue the general review of the tariff, currently being made by the Tariff Board, directed at achieving a more efficient use of the nation's resources by ensuring that assistance given to Australian industries is no greater than is needed for long-term efficient production.
5. In making its decision the Government was aware that in certain instances a tariff reduction of this magnitude might adversely affect individual firms and employees. Accordingly, it has decided to establish an effective range of adjustment assistance measures.
6. A tribunal has been established to hear appeals from any firm or company which may be seriously damaged by the tariff reduction. A prima facie case for reference to the Tribunal could be established if an industry claiming to be affected by the tariff change can demonstrate:

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That the tariff change is causing or has caused serious injury affecting the viability of the firms or the jobs of their employees in such a way as to cause hardship or "high" social cost.

The effects of the tariff change cannot be avoided or offset by action which the industry itself might reasonably be expected to take.

The affected firms within the industry are unable to obtain the financing needed to make the necessary changes on reasonable terms and conditions from commercial sources without Government backing.

7. The Tribunal will be guided by two basic principles: its recommendations should be compatible with the long-term objectives of assistance to industries, and it should not provide relief as a matter of course - that is, simply because the question of relief had been referred to it. The Government has clearly indicated that the Tribunal should recommend adjustment assistance measures in those cases where the Tribunal felt that some assistance was required but that restoration of the duties in whole or in part was not a suitable means of assistance. \$A 25 million has been provided to cover assistance which may be necessary as a result of the tariff reductions.

8. The Government introduced assistance measures because it recognized that it would be inequitable to allow the cost of the tariff reduction which is to the overall benefit of the nation to fall heavily on any particular group. It also had well in mind the international aspects of the question. The experience gained from the introduction of these measures could prove valuable in considering the development of internationally acceptable safeguard procedures in the context of the multilateral trade negotiations.

9. In introducing the new measures the Australian Government is conscious of its obligations and commitments to other nations and in particular to developing countries. The new and very considerably expanded Australian system of tariff preferences for developing countries, announced earlier this month by the Minister for Overseas Trade and the Minister for Secondary Industry will be maintained and operate from the new reduced general tariff rates.

10. The Australian Government considers that its decision represents a major step in supporting current moves to liberalize world trade. The decision was taken having full regard to the current preparatory work within GATT to inaugurate multilateral trade negotiations. The tariff reductions introduced by Australia form an integral part of Australia's contribution to the GATT negotiations.

11. In this context the Australian Government also considers it appropriate to inform the contracting parties that it has announced that the long standing bounties to the Australian Dairy Industry on the production of butter and cheese and on the export of processed milk products will be phased out, beginning in the current 1973/74 season, and terminated on 30 June 1975. Adjustment assistance measures already operate to assist in the reconstruction of the Dairy Industry and additional finance will be provided beyond June 1974 for re-adjustment action.