

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

Fifty-Seventh Session

15 and 16 October 1985

## PROCEEDINGS OF THE FIFTY-SEVENTH SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Seventh Session on 15 and 16 October 1985 under the Chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).

2. At this session, the Committee continued its programme of consultations in pursuance of the Decision taken by Ministers at the November 1982 Session of the CONTRACTING PARTIES to examine how individual contracting parties have responded to the requirements of Part IV of the General Agreement. Consultations were held with Australia and New Zealand. The Committee had before it the submissions from Australia (COM.TD/W/435) and from New Zealand (COM.TD/W/436) containing information on their trade situation and their policies in the light of the provisions of Part IV. In addition, the Committee had before it background information prepared by the secretariat on the trade and related policies of the consulting countries (COM.TD/W/432 and Corr.1 and COM.TD/W/432/Add.1 for Australia and COM.TD/W/433 and Corr.1 and COM.TD/W/433/Add.1 for New Zealand).

3. In his opening statement the Chairman proposed that in accordance with the agreement reached at the March 1983 Session of the Committee, discussions cover the following general points:

- (a) An overall review of developments in the consulting countries' trade flows and factors affecting such trade;
- (b) An examination of how the consulting countries' economic and trade policies have responded to the objectives and principles contained in Article XXXVI;
- (c) An examination of how trade policy measures have responded to the commitments of the countries concerned under Article XXXVII;
- (d) Consideration of any matters relating to joint action under Article XXXVIII.

The Chairman declared the consultations open and offered the floor to the representative of Australia.

### Consultations with Australia

4. In his introductory statement, the representative of Australia welcomed the opportunity to participate in Part IV consultations. Apart from the value that such consultations had for reinforcing the principles of Part IV, they also provided an excellent opportunity for all GATT contracting parties to demonstrate the key principles of GATT - commitment

to transparency of trade measures, a commitment to consultation on any trade measures, and, commitment to trade liberalization. In addition, the Part IV consultations established a useful precedent for notification and review of national trade measures. He stated that Australia attached great importance to the role of trade in contributing to the economic growth and development of developing countries and recognized that appropriate policies in this area contributed to mutual economic gains from trade between developed and developing countries.

5. Recalling that Australia had long endorsed the need for special and more favourable treatment for the exports of developing countries and that it was the first developed country which gave effect to this principle by introducing, in 1966, a generalized system of tariff preferences for developing countries, the representative of Australia said that his country shared developing country aspirations for improved trade rules and market opportunities for raw materials and agricultural exports. As a producer and exporter of natural resources, with a small domestic market, Australia relied, like developing countries, on the important contribution trade can make to economic growth.

6. The representative of Australia also underscored the important changes which had taken place in his country's approach to economic development since the adoption of Part IV. In the mid-1960s, policy was basically focussed on import replacement strategies. Import licensing was a key feature of a regime of protection and applied to many products. Imports from developing countries amounted to only 17 per cent of total imports. However, import replacement had now been abandoned as a policy approach. Import licensing had been removed on many products, including certain steel products, motor vehicles, and textile, clothing and footwear products, and now remained on only a small range of products, such as second-hand earth moving equipment. In contrast to some other countries, effective rates of assistance for agriculture had remained low, at 16 per cent. Tariff levels on manufactured products had declined to a degree that the nominal rate of protection for manufactured industries in Australia had fallen to 16 per cent in 1981/82, compared to 22 per cent in 1971/72. The tariff provided virtually the only means of assistance to Australian industries. As a result of these reforms, imports in many areas now accounted for a historically high share of the available markets.

7. Referring to current economic policies, the representative of Australia stated that his government's decision to expose industry to international market forces was a continuing commitment. In the last twelve months there had been thirteen major inquiries on levels of assistance appropriate for Australian industries. Of these, in only one industry (heavy commercial vehicles) was there an increase in assistance. For others, including significant industries such as consumer electronics, and computer hardware and software, the duty was reduced on a large range of items by at least 15 percentage points. These efforts at redirecting the Australian economy toward a more open import regime were reflected in trade flows. Overall, the value of imports from developing countries had increased almost four fold over the decade to 1984. Developing countries had also increased their overall share of the import market over the decade at a faster rate than any other group of countries. Over the same period, the share of Australian imports sourced in the developing countries of ASEAN and South East Asia grew from 8.1 per cent to 13.4 per cent, an increase of over 65 per cent (whereas Australian exports to these countries grew by 50 per cent). Some 80 per cent of imports from developing

countries now entered Australia at non-protective rates of duties (i.e. less than 5 per cent). Ninety-nine per cent of imports from least-developed countries entered duty-free or under preferences.

8. Referring to the Australian programme for Textiles, Clothing and Footwear (TCF), he stated that it did not discriminate among developing countries. The programme offered preferences for most TCF products, and a guaranteed growth of about 2 per cent in tariff quotas, as well as allocating all market growth to imports. Australia fully appreciated and had taken into account the wishes of developing countries, particularly of those in the region, that more should be done to provide greater access to the Australian TCF market. As a result of current policies, per capita imports of TCF products in Australia were higher than in many comparable developed countries. The share of developing countries in the TCF import market was significant (80 per cent for clothing and 73 per cent for footwear), and increasing. Indeed, the annual increases in quota levels had been substantially larger than the minimum annual market growth rates provided for under the MFA. For example, the increase in quota levels for 1985 amounted to a 15 per cent weighted average increase over 1984 quota levels, as compared to the rarely attained minimum annual growth for MFA quotas of 6 per cent.

9. The Australian representative said that the degree of import penetration by developing countries extended to other industries as well. An independent study by the World Bank concluded, for example, that the share of developing country imports in apparent consumption of manufactured goods at the end of the 1970s was 5.3 per cent for Australia compared to the industrial country average of 3.4 per cent. Even more significantly, the growth rate of import shares from developing countries over the decade for Australia was 12 per cent, which was the highest of any industrial country and above the average of 8.1 per cent for all industrial countries. More recent figures showing the increasing share of imports captured by developing country sources could be found in Table 5 at page 35 of Australia's submission.

10. The representative of Australia underlined his government's active role in increasing trade with developing countries. The reviews of the Australian GSP scheme undertaken in 1974, 1976 and 1979 had led to improved benefits for developing countries. The scheme now covered \$A 2 billion worth of trade and 78 per cent of tariff lines. Under the Australian programme to support market promotion of developing country products, some \$A 10 million had been spent since 1981. In 1984, twenty-three displays of developing country products were sponsored. Currently some forty market assessment reports on Australian conditions and opportunities existed for developing countries. Assistance to developing countries had also involved innovative and unique assistance programmes such as training of developing country trade officials on the GATT, and on Australian administration of its anti-dumping procedures.

11. The representative of Australia further observed that the letter and the spirit of the GATT as a whole, including Part IV, required that contracting parties meet certain obligations: first, that protection was through the tariff; second, that any restrictions were non-discriminatory in intent and effect; third, that increasing opportunities were made available for increased trade; and fourth, that special measures were in place to genuinely assist developing countries. In the view of his authorities, on each of these criteria, Australia had demonstrated - in concrete terms - its commitment to these goals.

12. Representatives of many developing countries welcomed the opportunity to participate in Part IV consultations with Australia. These delegations expressed their appreciations for the background information provided by Australia, as well as by the secretariat.
13. While appreciating the efforts made by Australia in the implementation of Part IV, representatives of several developing countries pointed out that developing countries still faced difficulties in their access to the Australian market. This was reflected by the low share of Australia's total imports accounted for by developing countries, by the decline in this share in 1983 as compared with 1981, as well as by the trade surplus with developing countries that Australia had enjoyed during the same period. Therefore, in the view of these representatives, there was still ample scope for more positive measures in order to increase Australia's imports from developing countries and to achieve an enlargement of their share in the Australian market.
14. With respect to the share of developing countries in Australian imports, the representative of Australia, recognized that there had been a small decline in their share between 1981 and 1983, when economic growth in Australia slowed down as compared with 1980. A longer term perspective however showed that in the decade 1973-1983, the share of developing countries rose significantly, from 15.7 per cent to 24.5 per cent.
15. Representatives of a number of countries said that although they welcomed Australia's efforts to implement a simplified tariff system since January 1983, tariff quotas were still prominent as a means of protection in respect of products of particular interest to developing countries, including textiles, clothing and footwear. Moreover, imports in excess of tariff quotas were liable to high m.f.n. or GSP rates of duty, which tended to have a restrictive effect on imports from developing countries. It was also noted that the Australian average m.f.n. duties were considerably higher than those of other developed countries and that the level of bindings undertaken by Australia under the GATT was very low compared to many other developed countries, both on agricultural and industrial products. Reference was also made to tariff escalation as a serious impediment to developing countries' exports. A number of developing country representatives expressed the hope that Australia would take more positive measures to reduce high m.f.n. duty rates, particularly in relation to those products which were of export interest to developing countries. It was also suggested that the Australian authorities keep the Committee on Trade and Development informed of developments under the current seven-year TCF plan. Moreover, one representative noted that a review process had already been initiated on the TCF programme which was due to expire at the end of 1988. The Australian Industries Assistance Commission was currently conducting an enquiry, and its draft report on possible future arrangements was expected to be issued later in 1985. This representative suggested that the findings and recommendations of the Industries Assistance Commission should be notified to the Committee on Trade and Development at an early stage.
16. The representative of Australia observed that as far as the level of duties was concerned, it was important to realize that the tariff was virtually the only means of protection in Australia, unlike in many other countries. Nevertheless, the Australian tariff system was very liberal. The value of customs duties collected in 1983/1984, for example, was less than 10 per cent of total import clearances. In 1982/1983, the nominal

rate of assistance to Australian manufacturing industry was only 16 per cent as compared with 22 per cent ten years earlier. The effective rate of assistance had also declined from 35 per cent to 26 per cent over the same decade. There had been significant decreases in tariff rates for important products over the last twelve months, as for instance, in respect of telecommunication products, where the duty rates had been reduced recently from 30 per cent to 20 per cent. The representative of Australia recognized the existence of some tariff escalation. He said that Australia also faced this problem with respect to its exports. He drew attention to the fact that for most of the products where there was tariff escalation, a GSP rate was applied, thus offsetting to a certain degree the impact of tariff escalation. As far as the level of bindings under the GATT was concerned, it reflected the fact that Australia had not been offered meaningful or substantial concessions by its leading trading partners in respect of its exports, of which 75 per cent were agricultural products, during the previous rounds of trade negotiations.

17. Some representatives expressed the view that the Australian Tariff Concessions System did not seem to have greatly benefited developing countries, which accounted for only 9 per cent of the total imports into Australia under this system in 1983/1984.

18. Commenting upon the liberal character of the Commercial Tariff Concessions System, which provided free entry for imports not competing with Australian goods, the representative of Australia observed that although the share of imports from developing countries entering the Australian market under the Concessional system was not high, imports from these sources were nevertheless significant since they represented 10 per cent of a total value of \$A 4 billion. The relatively small share of developing countries resulted from the type of products that they were trying to export in relation to the structure of demand and production in Australian economy. For this reason imports under the Concessional System tended to come more from developed countries but this was not a reflection of a discrimination against developing countries. The representative of Australia also said that a booklet describing the functioning of the Concessional System would be available in the secretariat so that interested developing countries would have the opportunity to obtain detailed information on how to take better advantage of the System.

19. In regard to imports of textiles, clothing and footwear, the representative of Australia drew attention to the fact that the value of imports of these products had increased significantly during the period 1974-1984. Imports of these products had also increased as a share of the Australian market, and most of the increase had been captured by developing countries. In addition, per capita levels of consumption of these products were higher in Australia than in many other developed countries. For textiles and clothing, the growth in quotas were greater than the minimum rate of growth stipulated under the MFA.

20. In responding to a question relating to imports of passenger motor vehicles, the representative of Australia pointed out that the system of import licensing previously used for these products had now been replaced with a system which increasingly exposed the national industry to competitive international pressures. Moreover, developing countries enjoyed preferential rates for motor vehicles.

21. Representatives of a number of countries referred to the Australian GSP scheme. They expressed appreciation for the efforts made by Australia to continuously improve the scheme over the years, both in terms of levels

of preferential duties as well as in product coverage. These representatives also expressed satisfaction with the rules of origin under the Australian GSP scheme, which were based on the value-added criterion, and allowed donor country content and global cumulative origin. Representatives of some countries also appreciated the opportunity they were given to consult with Australian representatives in the current reviews of the ASTP (i.e. GSP) and expressed the hope that the Australian Government would continue this system of prior consultations. Some delegations expressed their appreciation for the assistance received from Australia in the field of trade promotion activities. A number of representatives pointed out that despite the positive elements in the Australian GSP scheme, a significant number of products were excluded from the scheme. Imports of certain products from some countries had been excluded despite their very small share in the total imports of the products. Some of these representatives enquired about the criteria on which exclusions were based as well as about the possibility of reinstating excluded products in cases where exports from the countries concerned were falling or stagnant. They also enquired when the current review of the GSP scheme would be completed. Some delegations expressed concern over the effect of the special preferential agreements existing between Australia and some other countries on the Australian GSP scheme. Many developing country representatives urged the Australian authorities to make further improvements in the GSP scheme and not to introduce any measures which would restrict access to the Australian market.

22. The representative of Australia said that 77 per cent of imports from developing countries in 1983 entered the Australian market either free or under preferential rates. Only 8 per cent of the Australian tariff items did not have GSP rates. Indeed, independent studies indicated that the Australian GSP scheme was the most liberal both in terms of coverage and of the rules of origin. However, the representative of Australia had noted the interest expressed by developing countries in an increase in the coverage of the scheme. As far as country and product exclusions from the GSP were concerned, he recalled that preferences were granted in order to help developing countries to become competitive with third countries. The procedure used for exclusions was a thorough and open one. Exclusions from the scheme were made either because the concerned beneficiary became competitive and did not need preferential treatment, or because the respective imports, taken individually or together with imports from other sources, caused injury to the Australian industry. In regard to the latter, no inquiry was initiated without prima facie evidence of injury, and once an inquiry was initiated, developing countries were entitled to represent their point of view. The Australian GSP scheme was currently under review and it was difficult to predict when this review would be completed and what would be its outcome. However, the Australian Minister for Industry, Technology and Commerce had already publicly stated that the Australian authorities were not attracted by the use of financial thresholds as a criterion for graduating countries from GSP benefits.

23. Responding to a question by one delegation concerning the application of cumulative origin rules to ANDEAN countries, the representative of Australia explained that under these rules all developing countries were eligible and all that was required was that 50 per cent of the value of goods was supplied from developing countries, and that the final processing occurred in the developing country claiming preference.

24. With respect to the comments made in connection with the impact of Australia's free trade agreements on its GSP scheme, the representative of Australia recalled that these agreements were presented and examined in

GATT under the relevant provisions of the General Agreement. The SPARTECA agreement covered only 1.6 per cent of total imports from developing countries. The special preferences for developing Commonwealth countries and territories covered only twelve items. The agreements with Canada and New Zealand covered amounts equivalent to less than 5 per cent and 16 per cent respectively of Australian imports from developing countries.

25. The delegation of one developing country referred to the discriminatory sales tax applied by Australia under the Protocol of Provisional Application of the General Agreement. He expressed the hope that Australia would negotiate the elimination of such measures in order to facilitate some exports of developing countries. The representative of Australia noted the request.

26. A number of representatives of developing countries expressed concern at the effect that anti-dumping measures were having on their exports to Australia. Some delegations wondered whether Australia was not trying to use anti-dumping measures as a protective device. They also questioned whether in certain cases Australian authorities had fully implemented the relevant procedures under the GATT, in particular those of Article 13 of the Anti-Dumping Code, which provided for differential and more favourable treatment for developing countries. Some developing country representatives expressed concern regarding the automaticity of the review procedures in the administrative arrangements covering anti-dumping actions in Australia.

27. The Australian representative stressed that the legal provisions and administrative guidelines which had to be observed by anti-dumping authorities in Australia did not permit of the use of anti-dumping measures as protective devices. He observed that during the period 1982 to 1984, there were seventy-one definitive anti-dumping duties imposed, of which only fourteen applied to imports from developing countries. Between 1 January 1984 and October 1985 there were 144 requests from Australian industries for anti-dumping action. Of these, seventy-six were rejected without initiating an investigation and only thirteen resulted in a final positive finding. The representative of Australia said that Article 13 of the Anti-Dumping Code was not intended to automatically exempt developing countries from the provisions of the Code. He would in any case convey to his authorities the concerns expressed by some developing countries in connection with this matter, in particular the concerns expressed by the delegations of Malaysia, India and Romania in connection with certain anti-dumping actions by Australia affecting steric acid, files and rasps, and electric motors.

28. The representative of one developing country, referring to trade between Australia and the least-developed countries, expressed concern about the decline of the latter countries' exports to Australia, as well as their share in total Australian imports. He also drew attention to the trade deficit that the least-developed countries had with Australia. While noting the fact that most exports of least-developed countries entered Australia duty-free, this representative noted the absence of any special GSP treatment for the least-developed countries. He urged Australian authorities to take more positive measures to facilitate market access and promote the export of products from least-developed countries, as provided by the GATT Ministerial Declaration of 1982. As far as the trade of his country with Australia was concerned, he pointed out the difficulties encountered by his country's exports of certain types of textile products,

leather items and textile goods. He expressed the hope that the Australian authorities would be able to respond positively to the requests made by his framework of consultations initiated with Australia on these

representative of Australia, while recognizing that the level of the least-developed countries had fallen in recent years, observed that only 1 per cent of the imports from these countries were dutiable at m.f.n. rates. Moreover, no least-developed country had been subject to exclusions from GSP benefits. He thought that the difficulties encountered by least-developed countries were more related to marketing and supply problems than to market access. In this regard, Australia would continue to provide market advisory assistance to least-developed countries.

30. The representative of a developing country addressed to Australia the following specific questions relating to specific provisions of Part IV: (i) what decisions had been taken by Australia to implement paragraph 1(c) of Article XXXVII which related to fiscal measures?; (ii) what measures had been taken by Australia to encourage consumption of products from less-developed countries or to introduce measures of trade promotion in line with Article XXXVII, paragraph 3(b)?; (iii) how had Australia complied with the provision of Article XXXVII, paragraph 3(c)?; (iv) what measures had Australia introduced to implement the provisions of Article XXXVII, paragraph 1(b)? and (v) what steps had Australia taken to comply with paragraph 4 of Article XXXVI and/or paragraph 2(a) of Article XXXVIII?.

31. Responding to these questions, the representative of Australia said that the Australian Government administered four programmes specifically designed to promote import of goods from less-developed countries and as well, under two of these programmes, assist with investment. The first programme, Market Advisory Service (MAS) was essentially a Trade Commissioner Service for developing countries, with the services of a Senior Trade Commissioner and support staff in Sydney and Melbourne, devoted to marketing assistance to developing countries. MAS had published some forty Australian Import Market Reports which were available free of charge on request to all developing countries. The second programme, International Trade Development Centres, located in Sydney and Melbourne, provided trade display and training facilities on request for developing countries. Developing countries which were recipients of bilateral aid from Australia were eligible to use the Centres on a cost free basis. Other developing countries could use them on a self-funded basis. The Centres had conducted some sixty displays since the Sydney office was opened in 1981 (the Melbourne office opened in 1982), and according to exhibitors had generated a total of some A\$ 100 million sales in the twelve months after the displays. Another programme, ASEAN - Australia Economic Co-operation: Trade and Investment Programme, provided funds for Trade Display activities, Sales Missions and Investment Promotion on behalf of the ASEAN nations. It was a three year programme, extending until 1986/87, at a cost of A\$ 3 million divided evenly between the ASEAN countries with a small amount set aside for regional activities. For 1985/86 there were seventeen projects under consideration of a trade promotion nature and fourteen investment proposals. In addition there were five regional requests. The budget for the programme for 1985/86 was A\$ 1 million. Finally, the South Pacific Regional Trade and Economic Co-operation Agreement Article VIII programme, which provided assistance for the developing member countries of the SPARTECA. The budget for this programme was A\$ 200,000 a year.

32. The representative of Australia also recalled that his country had participated in efforts to stabilize international commodity markets wherever such efforts promised to be effective, to the advantage of both producers and consumers. Australia had advocated the treatment of such problems on a commodity-by-commodity basis and was a member of the International Commodity Agreements on coffee, rubber, wheat, sugar and tin. Australia was also a member of the international arrangements on dairy products and meat. Australia signed and ratified the Common Fund for Commodities in 1981.

33. Several developing country representatives raised specific issues relating to their trade relations with Australia and/or addressed specific requests for trade liberalization measures to the Australian authorities.

34. The representative of Thailand requested the inclusion in the Australian GSP scheme of two products of particular export interest to his country:

- starches other than potatoe and maize starches (11.08.900)
- tuna packed in metal cans (16.04.200).

This representative also referred to Australian legislation which prohibited imports of products of wild animals in order to protect wild life, and observed that as a result of this legislation Thailand had been unable to export reptile skins to Australia, although they were not from wild animals. The representative of Australia replied that imports of crocodile skin products continued to be subject to the overall prohibition, since in the view of the concerned Australian authorities it was not practicable to differentiate between products derived from wild animals and those from farm-bred animals.

35. The representative of Peru referred to a number of products which his country would like included in the Australian GSP scheme or granted improved preferential treatment. He said that a list of these products would be conveyed in writing to the Australian delegation.

36. The representative of Malaysia stated that he had addressed a list of requests to the Australian delegation before the meeting, which related to some difficulties encountered by his country in trade relations with Australia.

37. The representative of the United Kingdom speaking for Hong Kong also informed the Committee that he would convey to the Australian delegation requests relating to reconsideration of certain exclusions of Hong-Kong products from the GSP scheme.

38. The representative of Romania requested the inclusion of the following products in the Australian GSP scheme: cheese (04.04.900), canned fish (16.04), gasoline (27.10.49), diesel oil (27.10.23), cone bearings (84.62.10), diesel electric locomotives (86.03), railway wagons for goods (86.07.900).

39. Some other delegations reserved the right to address written requests to the Australian delegation.

40. The representative of Australia expressed appreciation for the constructive and helpful way in which the consultations were conducted. He recalled that Australia was currently undergoing a process of progressively

opening the Australian economy to international competition. He said that within this process, the interests of developing countries in improved access to the Australian market would remain under active consideration. He reaffirmed that the Australian authorities did not envisage the graduation of developing countries out of the GSP scheme in the context of the current review. He also said that Australia remained committed to the goal of expanding trade relations with developing countries, particularly with those in the same region.

#### Consultations with New Zealand

41. The representative of New Zealand, welcomed the opportunity to consult on Part IV in the Committee on Trade and Development and noted that New Zealand's trade with developing countries had grown in importance over the last twenty years. He said that during that period, New Zealand's imports from developing countries had increased by 7 per cent and her exports by over 20 per cent. In common with many developing countries, New Zealand had a largely agricultural base to its economy and relied heavily on trade for its economic welfare. For these reasons, New Zealand shared with developing countries concern in regard to increased protective barriers against agricultural trade and distortions created by export subsidies. More than 60 per cent of New Zealand's exports were of agricultural origin, mainly meat, dairy products and wool.

42. The New Zealand representative said that while continuing to concentrate on the agricultural sector, his authorities had been giving increasing attention to other sectors of the economy, in recognition of the fact that sustainable growth in output and the creation of permanent jobs could only occur when a country's resources were used in the most productive activities. The structure of an economy needed to adapt continually to changes, such as shifts in international prices. He said that New Zealand was presently undergoing a period of major reform in assistance policy, which had as its objective the attainment of lower and more even levels of assistance throughout the economy. He noted that various aspects of the dismantling of New Zealand's import licensing system had been mentioned at different times in the recent past, and said that a wide range of products were being liberalized, either through the allocation of additional licences through a tender system or through specific schemes contained in industry development plans. Industry development plans covered a number of very significant industries of current or potential interest to developing countries, including rubber goods, plastics, electronics and ceramics. He said that decisions had yet to be taken on phasing out import licences in other equally important industries such as textiles and apparel, although these industries had already undergone substantial liberalization. Most recently, the New Zealand Government had added tariff reductions to the liberalization process. The New Zealand representative said that as part of the comprehensive trade liberalization programme, a number of modifications had been introduced to the GSP scheme with effect from 1 July 1985. He expressed the view that the New Zealand GSP scheme was one of the most liberal in existence. Included in the modifications was the introduction of duty-free treatment for least-developed countries on most products covered under the GSP. In addition, the Government introduced a 70 per cent per capita GNP criterion above which a country would cease to receive preferential treatment. This new measure was designed to take account of the significant changes that had occurred since 1972 in the relative positions of New Zealand and some beneficiaries. Following consultations with a number of countries on this modification, the Government had agreed

that nominated tariff items covered by the GSP scheme could be considered for reinstatement of GSP rates of duty in respect of imports from countries otherwise excluded from the scheme.

43. The New Zealand representative said that his authorities considered that, in bringing all trade sectors within effective multilateral disciplines, agriculture was the first priority area. He recognized fully the concern of developing countries about agriculture in general and textiles and tropical products in particular. He expressed the support of his authorities for a new round of multilateral trade negotiations, which he said was the only way through which trade disciplines could be improved. In addition he said that New Zealand shared the view of many developing countries that the first step in this process was a firm and credible commitment on standstill and rollback.

44. Many delegations expressed their appreciation for the introductory remarks of the New Zealand representative and for the thorough documentation prepared by New Zealand and by the secretariat. Several representatives noted that New Zealand's imports from developing countries were rather low in comparison to its imports from developed countries, and also in relation to its exports to developing countries. They said that New Zealand's trade surplus with developing countries suggested that there was scope for increasing the share of imports from developing countries in New Zealand's total imports. The representative of New Zealand said that while the developing countries still accounted for a relatively modest share of the New Zealand import market, that share was growing and was approximately equal to Australia's share of the market. The fact that developing countries had not expanded their exports to New Zealand as fast as they had to other markets was perhaps a reflection of the fact that New Zealand was producing products similar to those produced and exported by the developing countries and was looking for similar external markets. In regard to New Zealand's trade surplus with the developing countries, the representative of New Zealand said that recent trade liberalization measures should contribute to evening up the trade balance.

45. Several representatives referred to the comparatively extensive use of quantitative restrictions in New Zealand and the correspondingly reduced reliance on tariffs to regulate import flows. It was observed that some 25 per cent of all imports were subject to import licensing, which was a very high proportion by comparison to other developed countries. Certain representatives remarked that this situation led to a lack of transparency and uncertainty in trade. In addition, the use of quantitative restrictions had undermined the value of the GSP, for example in the textiles and clothing and chemical sectors. One representative observed that some two-thirds of all items under the GSP were subject to quantitative restrictions. This representative also questioned the GATT consistency of New Zealand's quantitative restrictions. On the other hand, many representatives expressed their appreciation for the efforts New Zealand was making to move increasingly towards greater reliance on tariffs, and expressed the hope that this change would be beneficial for the trade of the developing countries. The representative of New Zealand agreed with the view that import licensing not only affected trading partners but also the country imposing restrictions, and it was in recognition of this that New Zealand was seeking to liberalize its trade regime. It was envisaged that by the end of the decade there would be virtually no import licensing at all. In regard to the question of the GATT consistency of New Zealand's quantitative restrictions, the

representative of New Zealand pointed out that these restrictions were introduced in 1938, which was before the GATT was set up. In any event, this point would become increasingly academic as New Zealand dismantled its quantitative restrictions.

46. A number of representatives referred to the fact that the average level of tariffs in New Zealand was higher than that in other developed countries. Sectors mentioned in this connection included textiles and clothing, machinery, transport equipment, scientific equipment, precious stones and certain metals. Certain representatives referred also to the problem of tariff escalation and observed that a combination of high and variable tariffs led to high levels of tariff escalation and tended to have a discriminatory effect on high value-added goods. The representative of New Zealand said that as pointed out in the opening statement, a part of the trade liberalization package included tariff reductions. The question of tariff escalation generally was one New Zealand itself was concerned with, for example in the forestry sector, and the New Zealand Government was seeking the enforcement of more uniform tariff structures both for itself and in respect of the tariff structures of its trading partners. He noted that in general, the tariff reductions just announced by New Zealand were proportionately larger the higher the initial tariff. In the case of those sectors subject to industry development plans, such as footwear and textiles, the modalities of tariff reduction were separate, although the objective of trade liberalization was the same.

47. Several representatives said that New Zealand had a generally lower level of tariff bindings than most other developed countries and that this reduced the stability and predictability of access to New Zealand's market. These representatives requested that New Zealand consider binding more of its tariffs. The representative of New Zealand said that his Government would be pleased to bind a greater proportion of the tariff schedule, but in return for similar action by its trading partners. The current level of tariff bindings was a direct reflection of a lack of offers in regard to New Zealand's exports by its trading partners in the Tokyo Round. This was one reason why New Zealand was a strong supporter of a new round of multilateral trade negotiations, and in this connection New Zealand would have a particular interest, along with many developing countries, in trade liberalization in the agricultural sector.

48. In regard to the question of preferences, some developing country representatives stated that their countries suffered from a kind of "negative preferences" in relation to countries which had special preferential agreements with New Zealand. In some cases this situation occurred either because there was no GSP rate on particular products, or the preferential rate was lower than the GSP rate. Some of the sectors mentioned in this respect were wood products, chemicals and agricultural products. One representative said that the legality of these arrangements was not at issue but rather the effects of these arrangements on the export prospects of developing countries. The representative of New Zealand said that as far as the special preferences for certain developing countries were concerned, there was duty-free treatment for the least-developed countries under the GSP, as introduced in July 1985, and there were also the arrangements for the small island countries in the Pacific under SPARTECA. Under the SPARTECA arrangements, with very few exceptions beneficiary countries enjoyed duty-free unrestricted access for their exports. However, in view of the fact that all Pacific island countries including members of SPARTECA only accounted for just over 1 per cent of New Zealand's total imports, it was unlikely that these arrangements had a

negative influence on the GSP. In regard to New Zealand's trade agreement with Australia, the representative of New Zealand pointed out that this arrangement had been examined by GATT and had been accorded a vote of confidence under Article XXIV. This free-trade agreement was seen by New Zealand as an important step in the direction of greater trade liberalization, even though its benefits were directed primarily to the countries concerned. This was because it committed New Zealand to a more outward approach, and could be seen as an initial step towards global liberalization. Moreover, an examination of trade statistics for 1984/85 indicated that growth of trade with several developing countries had been significantly more dynamic than it was with Australia. Thus, for example, while imports from Australia expanded by 27 per cent in the year ended June 1985, those from a number of developing countries, including Hong Kong, Malaysia, Korea, Singapore, Argentina and Brazil expanded by amounts ranging from 40 per cent to 194 per cent during that same year.

49. In regard to the New Zealand GSP scheme, some representatives observed that GSP rates tended to be rather high and that coverage in certain areas was limited. In this regard reference was made to plastics, leather, textiles, clothing, footwear, and iron and steel. One representative said that New Zealand had shown a tendency to be unsympathetic to many requests for GSP inclusion or for reduction in GSP rates. The New Zealand representative said that he could not agree with this assessment, since with regard to industrial products, for example, 97 per cent to 98 per cent of industrial imports were either covered by the GSP or were duty-free from all sources.

50. A number of representatives from developing countries referred to the introduction of the 70 per cent per capita GNP criterion under the GSP scheme. This measure meant that a country with 70 per cent or more of the GNP per capita of New Zealand would cease to be eligible for GSP treatment. These representatives said that this regulation was discriminatory and did not conform with the generalized, non-reciprocal and non-discriminatory nature of the GSP, and it also undermined the principle of special and differential treatment for developing countries. One representative said that the GNP per capita criterion was inappropriate, since it omitted consideration of a range of other factors, including the general level of development, the foreign exchange position of a country, and the fact that comparable GNP statistics were not necessarily available for all countries. By omitting consideration of such factors the exclusion criterion became arbitrary. Other representatives said that this measure had been introduced without adequate prior consultation. In addition, some representatives were concerned about the effect of a country graduation provision of this nature as a precedent in relation to GSP schemes in general. The New Zealand representative said that his authorities considered that the 70 per cent GNP per capita criterion, being based on World Bank statistics, was both transparent and internationally verifiable. Moreover, New Zealand regarded GSP as unilateral, non-reciprocal and non-binding. The measures were consistent with the Enabling Clause and particularly its paragraph 7. The representative of New Zealand noted that there had been extensive consultations with some GSP beneficiaries and that the decision to implement this measure had in fact been deferred until July this year to allow for further consultations. Also, the decision to consider the re-instatement of certain items for excluded countries was taken in the light of consultations with GSP beneficiaries.

51. The representative of Hungary expressed his thanks to New Zealand for extending GSP treatment to Hungary and stated that the step taken by New

Zealand was absolutely in line with the basic principles of the GSP, with the principles of "self-election, self-selection" and with the legal framework of the GATT regarding GSP.

52. The representative of Chile requested information on the tariffs on alcoholic beverages, and in particular wines. He wished to know also what effects these tariffs had on imports into New Zealand. The representative of New Zealand undertook to supply the tariff information at a future date.

53. The representative of Chile said that his country had been engaged in bilateral consultations with New Zealand under Article XXII of the General Agreement, but that these consultations had not proceeded very far because information on certain restrictions had not been supplied by New Zealand. The representative of New Zealand said that this matter was under active consideration at the present time.

54. One representative asked for clarification on the new Goods and Services tax (GST), introduced in New Zealand and the effects that this tax was likely to have on imports. The representative of New Zealand said that the GST had been conceived to remedy the situation in which the tax burden fell too heavily on wages and salaries rather than on production more generally. The GST was set at a general rate of 10 per cent and could be best described as a consumption tax, to be levied at the point of sale. In effect, the GST simply represented a shift in the tax base and implied a reduction in income tax. It was not an import tax and would be applied across the board to all products.

55. The representative of Peru addressed certain specific requests to New Zealand, and said that they would be transmitted directly to the New Zealand delegation. Products covered by the requests included certain resins, formica, certain threads and fabrics of sheep and alpaca wool, various garments including vests, sweaters, and sports wear, and certain zinc and silver products. The representative of Peru also made a request for the splitting of the tariff line which presently covered wool and other fine hairs, in order that threads and fabrics of alpaca could be shown separately. He noted that Peru was the only exporter of alpaca wool.

56. In his closing remarks, the representative of New Zealand expressed his appreciation to members of the Committee for the constructive manner in which the consultations had been held. He said that problems raised had been noted. He also referred again to the major policy reform which was underway in New Zealand and said that the Government was moving fast in the direction of trade liberalization. It was for this reason that New Zealand was a strong protagonist for a new round of multilateral trade negotiations. Finally, he undertook to ensure that all questions which had not been fully answered would receive replies in due course.

#### Chairman's concluding remarks

57. The Chairman summed-up the proceedings of the session of the Committee as follows:

"At this Fifty-Seventh Session of the Committee on Trade and Development, we have taken the consultation process one step further, with our consultations with Australia and New Zealand. Once again, I believe that I am expressing a generally held view that these consultations have proved the effectiveness of this particular way of examining the implementation of Part IV. Consultations like these not

only provide an opportunity to assess the degree to which countries have taken into consideration their commitments under Part IV in formulating their trade policies, but have also served to increase the awareness of developed and developing countries of the kinds of future action that could be taken in pursuance of Part IV, in order to contribute to an expansion of the trade of developing countries. Moreover, the consultations provide a valuable opportunity for a frank and focussed discussion on the trade policies of particular countries, and in this way contribute to a better appreciation of the kinds of difficulties faced by the trading partners of the consulting countries, as well as the various constraints under which the consulting countries themselves have to operate when they make decisions about their trade policies.

"It is gratifying for me, and I am sure for members of the Committee as well, that since the beginning of this exercise, consulting countries have adopted a positive and helpful attitude throughout the consultations. Australia and New Zealand have been no exception to this. Through thorough preparation, both on the part of the consulting countries and with the contribution of the secretariat, it has been possible to provide a basis for a useful and constructive dialogue. I would also note that both of the consulting countries brought officials from their capitals to participate in the discussions, and I take this as a further indication of a desire to make the consultations useful.

"As in the case of the previous consultations, it is understood that the consulting countries will revert in due course to any questions that have been raised but not fully answered, and will transmit the relevant information to the contracting parties concerned either directly or at a future meeting of the Committee. It is also my hope that the specific requests which have been addressed to Australia and New Zealand during the course of the discussions will be transmitted to the capitals and given as favourable consideration as possible. It is understood that any decisions taken will be made known to the parties concerned and to the Committee.

"Now that we have held consultations with Australia and New Zealand, I think it is fair to say that as far as the developed countries are concerned, we seem to have practically completed the cycle. In order to carry this process forward on a systematic basis, therefore, it would seem to me to be necessary for more developing and other countries to indicate their willingness to be consulted in the framework of Part IV next year, and I hope these indications will be forthcoming at the next meeting of the Committee. I also trust that it will be possible soon to make a full assessment of the effectiveness of the consultations process as a means of promoting the objectives of Part IV and of furthering the observance by contracting parties of the commitments embodied in it."