

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/435/Add.1
18 December 1985

Limited Distribution

Committee on Trade and Development
Fifty-Seventh Session
14-16 October 1985

Original: English

PART IV CONSULTATIONS: BACKGROUND INFORMATION

Submission by Australia

Addendum

The information contained in this document has been provided by the Australian Permanent Mission in response to questions addressed to Australia in the context of Part IV consultations held at the Fifty-Seventh Session of the Committee on Trade and Development on 14 and 16 October 1985. This information is additional to that provided in Australia's original submission (COM.TD/W/435) and in the note on the Proceedings of the Fifty-Seventh Session (COM.TD/122 and Corr.1).

Question:

What decisions have been taken by Australia to implement paragraph 1(c) of Article XXXVII, which relates to fiscal measures?

The Australian sales tax contains discriminatory provisions in that certain goods are exempt from tax if produced in Australia or are imported from and are the produce of Fiji, New Zealand or Papua New Guinea. On the other hand, goods are generally taxable at the prevailing general rate, currently 20 per cent of wholesale value, if imported from other countries. These goods are:

- feed for livestock;
- feed for poultry;
- certain unprocessed primary products including those derived from:
 - mining
 - cultivation of land
 - maintenance of animals, poultry and bees
 - fisheries
 - timber getting
 - fauna (unless imported for breeding purposes) except horses
 - flora;
- metals as recovered from ores (unless exempt as raw materials);
- beer that contains more than 1.15 per cent by volume of alcohol;
- non-alcoholic grape wine;
- non-alcoholic cider;
- fruit juice products with a prescribed minimum Australian, New Zealand or Papua New Guinea juice content -- i.e. consisting of not less than 25 per cent juices of Australian fruits in the instance of concentrates and cordials and consisting wholly of juices of Australian fruits or vegetables in the instance of non-alcoholic beverages;

- briquettes consisting of coal dust and designed for use as fuel;
- charcoal;
- coke;
- firewood;
- crude tar sold to a manufacturer for use by him as a fuel or applied by the manufacturer thereof as a fuel for use in the manufacture of goods;
- power alcohol and mixtures of petrol and power alcohol;
- certain substances for use as fuel for internal combustion engines;
- compressed air;
- hydraulic power;
- steam;
- electric current for lighting or power;
- boxes, cases and crates, and inside linings and inside packing materials for use in the boxes, cases and crates, for use in marketing goods which are exempt from sales tax.

However, many of the items listed above are, if imported from other sources, conditionally exempt as inputs into production. Exceptions are:

- fish meal - if not used as protein additive for fodder for livestock;
- fruit juice products with the prescribed minimum Australian juice content;
- flowers - with possible exception if for incorporation in floral arrangements or ornaments; and
- beers.

While the sales tax admittedly contains some discriminatory provisions which pre-date the provisional application of the GATT, it should be noted that a considerable number of these provisions have been removed. For example, this applies in the case of imported foodstuffs and as such is particularly relevant to developing countries.

Question:

How has Australia complied with the provisions of Article XXXVII, paragraph 3(c)?

Australia is committed to a system of assistance to domestic industry which is transparent and is based predominantly on the tariff. We see the commercial interests of all contracting parties, including developing countries, being best served through trade liberalization on an MFN basis. However, we have attempted to take into consideration the interests of developing countries. Two examples are Australian rules of origin and procedures relating to textiles, clothing and footwear.

Australia's rules of origin and certification requirements remain simple and flexible in order to encourage maximum cooperation between beneficiaries and maximum utilisation of the benefits available under the Australian system of tariff preferences for developing countries. Australia's rules of origin encompass many of the features sought by developing countries: direct consignment is not required, cumulative treatment in any number of beneficiaries is permitted, and Australian (donor country) content is allowable as part of the 50 per cent content rule.

In relation to the textiles, clothing and footwear sector these industries are currently assisted by a seven year programme which commenced in January 1982. Under this programme, which terminates at the end of 1988, bounties are paid on the production of most yarns, on printed fabrics and bed sheeting; and tariff quotas cover most items of clothing and footwear and a limited range of textiles products.

The objective of the programme is to encourage a more efficient and competitive industry structure by progressively exposing textiles, clothing and footwear manufacturers to international competition.

This is being achieved by annual expansion of tariff quota levels through the combination of automatic quota expansion factors plus an amount for each quota category equivalent to assessed market growth between 1981 and the relevant quota year.

Quota levels for 1985 and 1986 are (on a weighted average basis) 12 per cent and 9 per cent above 1984 levels respectively. For apparel items the increases are 15 per cent and 8 per cent respectively. Overall, since the introduction of the programme, quota levels have increased by an average of more than 30 per cent. These figures are in excess of growth figures aimed for but never achieved in successive multifibre agreements.

While the programme deliberately provides for this increasing exposure to imports, it is brought about in a managed fashion so as to avoid undue and sudden disruption to textiles, clothing and footwear manufacturers and employees. In this way the programme provides a reasonably predictable environment in which manufacturers and importers can plan their investment and marketing decisions with greater confidence. The programme is also designed to provide a balance between the often conflicting interests of consumers, local industry, importers and Australia's trading partners. Special provisions for handicrafts and developing country preferences were introduced. In the context of the present assistance arrangements, handicrafts remain duty-free (except to the extent of any tender quota premium) and a simplified definition of "handicraft" applies. Where equivalent machine made goods are subject to quota, handicrafts are also; for six categories there are separate handicraft quotas.

Under the programme, developing country preferences apply to most products embraced by the textiles, clothing and footwear sectoral policy. Before the commencement of the programme, textiles, clothing and footwear goods had been largely excluded from the preference system. In order to benefit those developing countries which have not obtained a significant share of the Australian import market, supplying countries whose imports exceed a specified proportion of imports in particular quota categories (or tariff items if not subject to quota) are excluded from the developing country preference in those categories (or tariff items) for the following quota year.

Question:

What measures has Australia introduced to implement the provisions of Article XXXVII:1(b)?

Australia has complied with the provisions of this Article by according preferential treatment under the ASTP and through the tariff concession system (formerly commercial by-laws) to almost all primary products of interest to developing countries. Many of these products enter Australia duty-free or at very low rates of duty (e.g. tropical products for which there are no substitutes in Australia).

Australia maintains very few quantitative restrictions and none of these are on products exported from developing countries.

To the fullest extent consistent with the development of local industry, Australia is utilising tariff quotas, for example, in textiles, clothing and footwear, passenger motor vehicles and steel.

All requests for industry assistance are subject to public enquiry, with provision for representations by all concerned parties.