

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

L/3982/Add.21
29 January 1986

Limited Distribution

Original: English

GENERALISED SYSTEM OF PREFERENCES

Notification by Australia

Addendum

The following communication, dated 16 January 1986, has been received from the Permanent Mission of Australia with the request that it be brought to the attention of contracting parties.

On 6 January 1986, a joint statement was issued by the Australian Minister for Trade and the Acting Minister for Industry, Technology and Commerce announcing the terms of the revised Australian System of Tariff Preferences for Developing Countries which is to be introduced on 1 July 1986. The text of this statement is attached.

A full notification of the details of the revised system will be circulated by Australia to contracting parties in due course in accordance with the provisions of Paragraph 4 (a) of the Decision of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries.

DEVELOPING COUNTRY TARIFF PREFERENCES

(Joint statement by the Minister for Trade, The Hon. John Dawkins and the Acting Minister for Industry, Technology and Commerce, The Hon. Barry Jones.)

The Minister for Trade, Mr Dawkins and the Acting Minister for Industry, Technology and Commerce, Mr Jones, today announced that a revised system of granting tariff preferences to developing countries will be introduced from 1 July 1986.

Under the revised scheme the developing country tariff rate will be set at five (5) percentage points below the general tariff rate, where that general rate exceeds 5 per cent. The Scheme will not apply to goods where there is no protective rate, or to goods which attract excise duties. There will be no provision for graduating either products or countries from the Scheme. As a transitional measure products excluded from the present scheme in the three years prior to implementation date will continue to be excluded for a further two years. The Scheme will apply to products covered by the textile, clothing and footwear industries plan from the end of the current plan on 1 January 1989, and to steel and motor vehicles from 1 July 1986. However the current exclusions of certain countries for some cold rolled steel products will continue until the end of the present steel plan, 1 January 1989, and quotas already allocated for importation of motor vehicles will be continued at the existing margin of preference.

Further details on the application of the proposed scheme will be announced by the Australian Customs Service in due course.

The Ministers said that the existing scheme distorted Australian industry policy, increased disparities in tariff assistance between like goods and created uncertainty about tariff levels for local manufacturers. It also led to increased friction with Australia's developing country trading partners. The revised Scheme will be administratively much simpler, more certain in application, and focus attention towards more constructive industry development and trade goals.

The Ministers recognised that, as a result of the changes, preference margins in some areas will be increased. Overall this will be offset by significantly reduced margins in other areas of industry. The Ministers also considered that the application of a five (5) percentage points margin of preference would not be large enough to cause any major difficulties for industry. However the reference to the IAC remained where an industry was experiencing difficulties competing against imports from any source.

The Ministers said the decision followed a thorough review of the system of granting preferential access to developing countries. As part of this review Professor Helen Hughes of the Centre for Development Studies at the Australian National University had been commissioned to report on the Scheme and her recommendations form the substance of the new approach.

In undertaking the review the Government was mindful of the concern in wide sections of Australian industry that the existing developing countries preference system had generated uncertainty about assistance levels to local industry and thereby creating distortions in economic restructuring and business planning. In the review the Government rejected such options as total abandonment of DC preferences or adoption of trigger mechanisms to automatically graduate countries or products out of the Scheme.

The option adopted reaffirms Australia's commitment to the concept of developing country preferences. Australia was the first country in the world to introduce such preferences, which are now accorded by most developed countries. The new Scheme represents a significant improvement over the existing system. The new Scheme provides Australian industry and all Australia's trading partners, both developed and developing, with a settled framework for development of investment and trading plans. Under the new system the developing country

tariff rate and general tariff rate will be set as a package and industry planning can proceed in this knowledge. Australian industry seeking to complement local production with external sourcing can plan with greater confidence than exists under the present arrangements.

In discussions most of the developing countries in the Asian region have welcomed the broad thrust of the new system which incorporates important principles endorsed by the developing countries generally. Some disappointment has been expressed at the reduction that will be entailed in existing margins of preference for some items and a larger margin of preference than 5 per cent was generally desired. The Australian Government considers that any disadvantage arising from margin reductions will be offset in the longer term by the guarantees of margins at any volume of trade in a situation where Australia's tariffs are moving towards lower levels of assistance.