

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Ninth Session

Review Working Party III on Barriers to Trade
other than Quantitative Restrictions or Tariffs

BARRIERS TO TRADE OTHER THAN QUANTITATIVE RESTRICTIONS OR TARIFFS

Australian Statement at the First Meeting of Working
Party III, Saturday, 20 November 1954

I. Broad Objectives of the Working Party

The Australian delegation considers that the broad objectives of the Working Party should be:

- (a) To formulate a code of fair trade rules, the acceptance of which by the CONTRACTING PARTIES would contribute to the removal and limitation of barriers to trade arising from certain practices such as subsidies, State trading, disposal of non-commercial stocks and the like;
- (b) To provide machinery in the Agreement to facilitate consultation and co-operation in regard to problems arising from these practices with a view to a mutually advantageous reduction or limitation of qualification in their use.

II. Scope of the Task

In the view of the Australian delegation, the task of the Working Party, in reaching these objectives, is of greater scope in relation to agricultural products and raw materials than in relation to secondary goods. In the case of the former, the present Agreement contains very little of an effective nature dealing with the sort of barriers that have been referred to this Working Party. On the other hand, in dealing with the problems that arise from those barriers in relation to secondary goods, services and general business practices, the task of the Working Party -- as seen by the Australian delegation -- is rather one of improving the existing provisions of the Agreement by such additions and subtractions as may be shown to be necessary.

III. Problems peculiar to the trade in primary products

- (i) For a number of reasons - political, strategic, economic and social - internal demands for protection of primary industries are difficult to resist, hard to limit and, in fact, inevitable.
- (ii) Tariff protection may not be in many cases the most suitable form of protection for primary commodities. Thus, protection through the tariff may add unnecessarily to basic costs; again, changing seasonal conditions can result in wide annual variations in costs of production so that a given level of tariff protection may be quite inadequate in some years but excessive in others.
- (iii) Neither the protection nor the artificial or deliberate stimulation of primary production can be quickly reduced.
- (iv) It follows from (iii) that a feature of the international trade in primary products is the certainty that surpluses will arise and hang over the market from time to time.

IV. Objectives that are proposed to the Working Party in relation to agricultural products and raw materials

The Australian delegation considers that the general objectives should be:

- (1) To ensure that the practices referred to in I (a) do not hurt unnecessarily either -
 - (i) the country importing or receiving goods which are subject to such practices; or
 - (ii) other exporters to that country or elsewhere of similar goods.
- (2) To ensure that, where subsidized goods (or surpluses arising from subsidy and other artificial means) do need to move in world trade, no needless bar is placed upon them - to the unnecessary embarrassment or hardship of either the seller or the buyer.

V. Australian attitude

The Australian delegation believes that the major aim of all of the practices under consideration is to afford protection, and it therefore considers that they should be looked at in the same manner, permitted with the same controls and limitations, prohibited to the same degree and be subject to negotiation and bargaining, concession against concession, just as are other protective devices.

This indicates the general approach of the Australian delegation to the task of this Working Party. In accordance with this approach, the Australian delegation's attitude may be summarised as follows:

- (i) It does not seek to outlaw subsidies and other protective devices: the present Agreement does not outlaw tariffs or quantitative restrictions.
- (ii) It accepts the right of every country to protect its domestic industries whether by tariffs or other means.
- (iii) It does not accept as equitable the position that can result, and has in fact resulted, when the benefits that are obtained by tariff negotiations are impaired or frustrated by reason of the operation of other barriers to trade. Yet the General Agreement almost completely ignores this problem, some solution of which is essential if the multilateral bargaining processes of GATT can continue to operate.

A number of illustrations can be given of the way in which benefits obtained by Australia, and by other primary producing countries, could be impaired or substantially nullified. These benefits consist in duty-free treatment or the binding of low rates of duty and were obtained in accordance with the principle that such treatment and such binding represented a concession equivalent in value to a substantial reduction in high duties. In the event, however, it may be found that this kind of concession to Australia and other exporters of foodstuffs and raw materials has been seriously reduced in effective value either (a) because a regular market has been flooded with subsidised goods from another source or (b) because the size of that market has been drastically reduced as a result of artificially stimulated and uneconomic domestic production or (c) because the State has become a monopoly importer purchasing only so much of its requirements as remain after all of its domestic production has been sold - irrespective of competitive price or quality.

VI. Suggested principles to govern subsidies and related devices

These principles are put forward at this stage as suggestions for consideration by the Working Party:

A. Export Subsidies

Export subsidies should be prohibited subject to certain specific provisos or exceptions.

Rather than argue the case for these now, the Australian delegation would prefer to hear the suggestions of other members of the Working Party. It will, however, set out in detail later the kind of exceptions which it would consider should be incorporated in the revised Agreement. These will be substantially those in the Charter but will contain some additions and subtractions. Thus, one exception might be as follows:

Except in accordance with such terms and conditions as might be mutually agreed by the country of destination, the principal suppliers of the commodity to that destination, and the exporter, provided that,

- (i) all details of any such agreement were lodged with the CONTRACTING PARTIES within a specified time, and
- (ii) the CONTRACTING PARTIES, at the request of any contracting party whose interests it considers to be seriously prejudiced or threatened by the agreement, might invite the contracting parties who are parties to any such agreement to enter into consultations within a prescribed time to discuss any aspect of the agreement.

B. Domestic Subsidies

For purposes of negotiation of reduction in tariffs, modification of schedules, nullification or impairment of benefits under the Agreement, withdrawal or withholding of concessions, governmental assistance to economic development, domestic subsidies should be treated on an equal footing with tariffs and other protective devices.

Note

- (a) This is designed to mean that changes in domestic subsidies from a given period of time would be subject to the same kind of treatment as are tariff changes. When such subsidies operate in a defined way to reduce or limit imports or to increase exports, they could be part of future tariff negotiations.
- (b) The above proposal is intended to be in addition to the obligations and other provisions at present contained in the Agreement.

C. Anti-Dumping and Countervailing Duties

Australia endorses the views of the New Zealand Government, as circulated in Document L/270/Add.1, in relation to the strengthening of the text of Article VI of the present Agreement including the permissive use of quotas or other devices where, for demonstrable reasons, countervailing and anti-dumping duties are not appropriate.

D. Other Protective Devices

This Working Party will be considering at a later date other practices such as State trading systems, export incentive schemes and multiple exchange rates. Without at present going into any detail, the Australian delegation suggests that their treatment in the Agreement should be consistent with the approach which it has suggested for subsidies and other protective devices.