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STATEMENT BY THE REPRESENTATIVE OF NEW ZEALAND

Mr. Chairman, in the Plenary Session my delegation indicated that it was disturbed about certain trade developments during recent years which have tended greatly to lessen the value of the Agreement, and which, if maintained, could undermine its whole structure. One of the developments we had in mind were systems which foster uneconomic production through subsidization including export subsidies in particular and dumping.

As the New Zealand delegation attaches the greatest importance to the need for strengthening the provisions of the Agreement relating to the use of subsidies, I wish to explain to the Working Party the New Zealand point of view so that it may be taken into account.

At the outset, I think it is important not to lose sight of the fact that the purpose of the Review is to work out a code of rules or principles to be observed for the conduct of international trade which are fair to all contracting parties. These rules should not be drafted to cover only the present or short-term position but also those basic principles which are to operate during the foreseeable future.

It has been recognized in the Agreement that, in general, countries should rely on the tariff as the instrument for protecting domestic industries. Beyond that, however, the fundamental principle of the Agreement is that trade should be freed of barriers and practices which prevent competition on purely commercial considerations - such as price and quality. To this end, the General Agreement has outlawed the imposition of quantitative restrictions except for balance-of-payments purposes and for certain other special reasons. Thus we have the general position where there are rules which require a country to keep its market open to the goods of other contracting parties but there are no effective rules to be observed by countries in competing for overseas markets. We think that it is not fair or equitable that the government of a country should be permitted to pay subsidies to its producers or exporters for the specific purpose of enabling them to compete or to gain an advantage over their competitors in external markets.

In a situation where general convertibility of currencies is reached and abnormal barriers to international trade have been eliminated, it is considered that trade should be given the opportunity to develop on the basis of unassisted competition. If this principle is not to be followed and trade is assisted by such measures as export subsidies, the normal trade pattern will become distorted, the race will go to the financially strong countries which are in a position to provide such assistance and countries like New Zealand which are favourably placed because of climate and other natural resources and a high level of efficiency to produce goods at relatively low cost, will be jeopardized in their efforts to utilize those resources and develop their economies.

The Havana Charter recognized that subsidies were an undesirable element in international trade and made provision designed to secure the eventual elimination of export subsidies, and to keep domestic subsidies under surveillance. The New Zealand delegation is strongly of the opinion that equivalent provisions should be written into the revised Agreement.

Acceptance of the fact that export subsidies should be progressively removed leads to the logical conclusion that appropriate counter-measures should be available to enable importing countries to deal adequately with subsidized goods exported to their territories.

To this end, the New Zealand delegation has made certain proposals which have been circulated in document L/270/Add.1 and, in summarized form, in document W.9/20/Add.1. I would like to take this opportunity to make a brief explanation to the Working Party of these proposals.

Article VI as it stands at present does not say positively that a country is permitted to levy countervailing duty to offset the effect of subsidies paid on goods imported into its territory; nor does it provide for any alternative measure where the application of countervailing duty is not practicable or would not, by itself, meet the situation. Some countries may not have the legislative authority to apply countervailing duties, in some cases there may be difficulty in readily applying such duty, and in other cases it may be desired to limit the importation of goods the export of which has been subsidized but require countervailing duty to be paid on the quantity that is admitted. The existing Article also limits the imposition of countervailing duty by the importing country to cases where the goods being imported would cause material injury to a domestic industry. A country wishing to impose countervailing duty on subsidized goods with the object of protecting the trade of another country could only do so if it obtains a waiver from the CONTRACTING PARTIES.

The New Zealand delegation considers it to be of utmost importance that countries whose export trade is injured, or threatened with injury, by the export subsidization of the products of other countries should be in a position to request the importing countries to take adequate counter-measures against the subsidized goods. This action should be available without the importing country being required to obtain a waiver from the CONTRACTING PARTIES. Obviously if action is necessary to protect the interests of third countries it must be possible for such action to be taken immediately, since very serious damage could result from imports during the time taken to seek a waiver.

Furthermore, in view of the fact that the general practice of export subsidization is condemned as being contrary to the principles of the Agreement, the necessity for seeking a waiver is, we think, unnecessary.

It would, however, be reasonable and proper that the contracting party applying quantitative restrictions in such circumstances should be required to report the action promptly to the CONTRACTING PARTIES and be prepared to consult with the contracting party from whose territory the subsidized product was imported. It is envisaged that as a result of such consultations satisfactory solutions to the problems arising in individual cases would be found.

It is appreciated, Mr. Chairman, that some producing countries are faced with difficult problems owing to the existence of large surpluses of agricultural products which have accumulated in their territories and they are under considerable pressure to find ways and means of disposing of them. There is a strong temptation for these countries to cut their losses and dispose of the surpluses in a way which is most suitable to their own particular interests. This involves offering the surplus products at prices or on terms which are sufficiently attractive to importing countries to cause them to switch away from normal sources of supply. Such offers have been made in a variety of ways, e.g.

- (a) Direct subsidy payments to exporters
- (b) Offers of government-owned surplus stocks to be paid for in the currency of the importing country, the currency thus acquired being blocked and made available for particular purposes agreed between the governments of the importing and exporting countries.

All of these practices infringe the basic principle we consider should be established, namely, that exports should not be artificially stimulated by governments in a manner which prevents the free play of normal market forces and commercial considerations. This problem of the disposal of agricultural surpluses has, we are aware, been the subject of intergovernmental discussions but whatever solution may be reached for the short-term should not affect the long-term basic rules we are endeavouring to formulate for incorporation in GATT.

Finally, Mr. Chairman, I would refer briefly to the question of the use of internal subsidies to assist domestic industries in the production of goods for domestic consumption. There is, of course, nothing in the Agreement to prevent the use of subsidies in such circumstances in lieu of tariffs. To the extent, however, that they have the effect of reducing imports, it is considered that they should be regarded in the same manner as a tariff and be open to negotiation.