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REVIEW OF THE WORK OF THE CONTRACTING PARTIES AND FUTURE PROGRAMME

Statement by The Rt. Hon. John McEwen,
Deputy Prime Minister and Minister of State for Trade
and Industry of Australia, on 23 November 1967

I associate myself with those who have earlier commented upon the notable achievements of the GATT since its establishment twenty years ago, which we are commemorating at this meeting.

The conditions of international trade are still far from perfect. Many problems still remain. To some of these I will be referring shortly.

But, notwithstanding the problems and the frustrations, the international trade world is a better place today because of the General Agreement. Under it the major trading countries of the world have been able to co-operate and negotiate.

I also join in the tributes expressed to Mr. Eric Wyndham White. The great and constructive personal influence he has exerted on the course of events is surely unique in the world of international public affairs. The fact that, after twenty years of distinguished service, he has been so strongly and unanimously pressed to stay on is the greatest tribute that can be paid to him. However, much as we would like to have him stay, we must respect his personal wishes.

It is appropriate today to pay a tribute to the United States for the initiative in proposing the International Trade Organization, from which GATT sprang.

This occasion is important as a commemoration of twenty years of effort and achievement. It is no less important as the commencement of a new phase in the work of the GATT. The strenuous efforts of the Kennedy Round are now a matter of history. We can look back on these and other achievements of the GATT.

We must now think of tackling the problems which still confront us, with a determination to apply no less strenuous efforts to working for their solution.

The Director-General has identified three areas to which the work of the GATT should be directed.

The first is the field of industrial tariffs. Here it can properly be said that the GATT already has an imposing record of achievement. While there is no doubt scope for further advance, the very success of the GATT in this field underlines the shortcomings of the GATT in the other sectors of international trade.

The second broad area concerns the trade problems of the developing countries. The magnitude, complexity and urgency of these problems need no elaboration. The facts speak for themselves.

Despite some misgivings on the part of some of our GATT partners, the Australian Government took the initiative in introducing a system of tariff preferences in our market in favour of the developing countries. We have welcomed the support which the developing countries have given to this initiative. The principle, we believe, is sound, and represents one of the most practical ways of meeting some of the problems of developing countries.

We are confident that, over time, the preference system will provide practical benefits, even though the Australian market of only 12 million people obviously puts limits on the size of the benefits. The real value to the developing countries of the Australian initiative in this field will come when the other industrialized countries, with markets totalling about 750 million people, provide similar preferential arrangements.

In the aid field, Australia, on a per capita basis, is the second largest donor country. But our ability to do this depends very largely on our ability to pay our way in the world.

Australia is a country which the rest of the world chose to ignore throughout history, until our forebears pioneered it less than 200 years ago.

We are blessed with many great natural resources. Development has reached the point where Australia is now the largest exporter, or a very important exporter, of a wide range of products such as wool, sugar, meat, wheat, dairy products, lead, zinc, copper, and other minerals and metals. Food to sustain a rapidly increasing world population. Fibres for their garments. Raw materials for great new basic industries. These are the products for which, it is reasonable to think, an expanding world economy would provide expanding and profitable market opportunities.

But this is not the case. Although Australian exports are items basic to man's requirements, markets in many cases are not expanding. And they are certainly not profitable in any real sense of the word.

How much we can sell today is determined by the highly sophisticated protective devices in force in industrialized countries, not by man's needs for the basic commodities at fair prices.

The market for imports is limited to residual requirements after domestic production is absorbed.

For what is imported, the price paid is determined by the way the protective systems operate. It is always the buyer's price.

In respect of both the volume of trade and the price received for primary products, there is neither predictability nor any relationship to the concept of remunerative prices for efficient production.

The basic purpose of the GATT, as we have always understood it, was to substitute law and order in international commercial relationships for the anarchy which was typical of international trade relations in the 1930's. For international trade in industrial products, the GATT has achieved this objective. For many primary products, law and order is the exception rather than the rule.

We want, for primary products, the same law and order which governs trade in industrial products.

This means conditions of access and conditions of trade which fairly protect the buyer in respect of both his own domestic production and the price he pays for imports; but, at the same time, provides for the seller, predictability as to his marketing opportunities and a fair assurance that what he sells will return a remunerative price.

We do not have these conditions now. Many countries, including developing countries, depend upon primary products for their foreign exchange earnings. The lack of predictability and remunerative prices means stultified development ambitions. It means an undue dependence upon foreign capital borrowings to keep economies going.

Australia is one of the more fortunate of the primary produce exporting countries. But even Australia, as a major exporter of the basic commodities I have mentioned, is no exception to what I have just stated.

Over the past decade, Australia has had a deficiency, on current account, of about \$4,000 million. To sustain development and maintain our exchange rate, we have had to depend upon the inflow of foreign capital, with all this implies in respect of the progressive surrendering of national ownership of resources.

We are all very much aware of the recent devaluation of sterling. Despite the fact that many of our export industries are heavily dependent on the British market, the Australian Government decided to maintain unchanged the existing exchange rate. It was only possible for my Government to consider this because the investment of foreign capital in Australia has so largely supplemented our exchange earnings from trade.

In many respects, and for many reasons, the attraction of foreign capital is of tremendous importance to any country faced with massive developmental needs, as we are.

But to depend upon foreign capital and, in the process, to see basic natural resources increasingly coming under foreign ownership can never be a satisfactory substitute for adequate foreign exchange earnings from exports.

This is the problem facing many countries.

It is fundamental to our continued disappointment, perhaps disillusionment, that so far the GATT has failed to make a significant advance towards law and order in international trade in primary products. When the GATT was initially negotiated, the premise was that although the circumstances of production and trade were different for agriculture on the one hand and manufacturing industry on the other, the same philosophy within GATT would apply to each. Rules of the GATT were intended to apply with equal force and with equal effectiveness.

This was certainly the premise on which Australia joined the GATT as one of the initial twenty-three foundation Members.

It is an unfortunate but demonstrable fact that this initial expectation was not fulfilled.

The Haberler Report, which has formed the basis for much of the work of the GATT since 1958, clearly confirmed that the opportunities for expanded trade in agricultural products had not matched the opportunities which the GATT had made possible in the field of manufactured products.

Everything which has happened since then, including particularly the Kennedy Round, has had the result of widening this disparity of opportunity.

The Director-General himself has felt compelled to draw attention to this problem. He has stated that the results of the agricultural negotiations in the Kennedy Round did not begin to approach the goals set by Ministers in 1963.

We must not allow the matter to rest at that merely because the Kennedy Round is finished.

If the GATT is to be entitled to its place as the major force for international co-operation in the field of international trade, contracting parties must squarely face this challenge.

This leads me, Mr. Chairman, to the specific question of what this high-level meeting of the CONTRACTING PARTIES should do about a programme for the expansion of trade in agricultural products.

It is accepted that it would be unrealistic to expect another full-scale comprehensive negotiation on the pattern of the Kennedy Round within the next few years. We must, however, work on the basis that, at some stage in the not too distant future, it will be possible to embark upon another comprehensive negotiation.

The Kennedy Round experience showed clearly that solutions to the complex problems of agriculture are extraordinarily difficult to achieve. Negotiating possibilities must be thoroughly explored and prepared well in advance of negotiations.

Across the whole spectrum of agricultural trade, the resources of the GATT must be devoted towards finding practical negotiating possibilities.

GATT must stand ready to deal with urgent agricultural trade problems as they arise.

Already we are confronted with an acute and major problem in relation to dairy products. The Director-General has referred to this as an "increasingly critical situation". He has urged that the CONTRACTING PARTIES establish multilateral discussions in the very near future.

My colleague from New Zealand, Mr. Marshall, has very clearly indicated the tremendous importance of the problem which exists.

The CONTRACTING PARTIES simply must accept the responsibility of finding a practical solution.

The facts of the dairy situation are that excess production has been generated under the stimulus of high support programmes, particularly in Europe. Excess stocks of dairy products are being dumped in residual world markets, regardless of price and regardless of consequences for other exporters.

Over the last decade or so, the average wholesale price at which consumers in the major countries of the world have purchased butter has been about 5/- per lb. sterling.

Today I am told that European butter is being offered in some markets at less than one third of this price.

Butter at 1/6d. per lb. can only be offered because massive subsidies (to the order of 4/- sterling or more per lb.) are payable on the butter being offered for sale, regardless of cost and regardless of consequences.

Does GATT have a view on this kind of situation?

Is it conceivable that GATT will not face up to it?

This is the kind of immediate, acute problem which the procedures we establish at this session must deal with, within the context of the sustained search for long-term solutions to problems of agricultural trade.

There is another matter of vital concern to all contracting parties. In the United States, unfortunately, there has been a resurgence of restrictive sentiment, even before agreements reached in the Kennedy Round have been ratified by the Congress.

Numerous bills have been introduced by individuals into the Congress which would restrict imports of a range of products, including meat, dairy products, lead and zinc, wool textiles, wool tops, and steel. Taken together, almost 60 per cent of Australia's exports to the United States could be severely and adversely affected by these measures.

Many other countries face similar risks.

I am sure that every country recognizes, and strongly supports, the firm stand of the United States administration over recent weeks.

However, the intensification of import quotas on certain dairy products in July - only a few weeks after the end of the Kennedy Round - provides striking evidence of the dangers inherent in the situation in the world's largest market.

If the restrictive measures under consideration in the United States were to be implemented, they would not only have disastrous consequences for the exporting countries concerned, but must also have a disastrous impact on the image of the GATT.

Mr. Chairman: It is fair on an occasion such as this to take note of the many notable achievements of the GATT. It is even more necessary - even at the risk of striking discordant notes - to draw attention to the vital tasks which still demand the attention of GATT.