

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## STATEMENT MADE BY THE AUSTRALIAN DELEGATION AT THE SUB-GROUP "QUANTITATIVE RESTRICTIONS" MEETING NOVEMBER 1976

At the April 1975 meeting of the Quantitative Restrictions Sub-Group Australia proposed that discussions should take place between participants in the MTN on the underlying reasons why countries use quantitative restrictions (MTN/NTM/W/9). In making this proposal we had in mind particularly that despite a number of GATT attempts to eliminate quantitative restrictions, they are still a significant obstacle to international trade. We felt that discussions between the countries which apply quantitative restrictions and countries whose trade is thereby affected would provide an information exchange which could be the basis for subsequent negotiations towards elimination or reduction of such measures.

The Sub-Group agreed with the substance of this proposal (MTN/NTM/2) and established arrangements for "detailed bilateral or plurilateral consultations". It saw as the outcome of such consultations:

"The possibility of formulating additional procedures for bilateral and/or plurilateral negotiations such as specific requests and offers in those areas where this would be appropriate. It may also consider the possibility of working out a general formula or formulae of automatic application."

It is therefore disappointing that some eighteen months after the original proposal, there has been no worthwhile progress in developing solutions to problems posed by quantitative restrictions in international trade.

A major part of the reasons for this is, of course, that a number of countries have steadfastly refused to consider quantitative restrictions per se as a major barrier to trade regardless of the products to which they apply.

In these circumstances we think that this meeting is an appropriate point for Australia to express its views on the place of quantitative restriction negotiations in the MTN, in particular their relation to the work of the Tariffs, Agriculture and Safeguards Groups.

Negotiations on barriers to access

Since its inception, the main focus of the Tariffs Group has been the proposals by the major industrial countries for reduction of the barriers to access represented by customs tariffs. These proposals have virtually all been on a formula basis and proposers have asserted that the ultimate agreed formula should apply to all developed countries.

It is instructive to contrast this approach to international trade liberalization of industrial tariffs with the work so far undertaken in the Quantitative Restrictions Sub-Group. In the first place the scope of the Sub-Group's work has been severely limited by the refusal of some countries to look at agricultural quantitative restrictions within it. Secondly, there has been little serious or sustained discussion of any general approach (including standstill and reduction/binding) to the barriers to access represented by quantitative restrictions. Certainly, Australia seems to be one of the few countries which wants to look at such reduction on a basis similar to that being developed in the Tariffs Group.

It is cold comfort to Australia that procedures now exist for consultations on quantitative restrictions in the Agriculture Group, since so far we have been unable to get any indication about how these tie in with consultations in the Quantitative Restrictions Sub-Group, and how they would lead to the development of solutions to the problems of quantitative restrictions comparable to those being developed in the Tariffs Group.

What are the consequences of this imbalance in the work of the two Groups for Australia?

We recently pointed out in the Tariffs Group that formula tariff proposals implied few benefits for Australia, but they did involve substantial concessions. The reason is that tariff barriers impede relatively few of Australia's exports, but they are (as the GATT enjoins) the only significant method used by Australia to protect its domestic industry.

Quantitative restrictions, on the other hand, are a very important obstacle to Australia's agricultural exports, especially in developed countries.

The net result is thus that Australia is being asked to consider seriously the dismantlement, on a formula basis, of the protection it affords its domestic industries by tariffs on imports, whereas its developed country trading partners are blocking consideration on an equivalent basis of some of the most important barriers they use to protect their agricultural industries. Obviously as long as this situation continues we will be prevented from moving very far in the Tariffs Group.

### Negotiations on trade rules

Let me now turn to a second issue. The negotiations on quantitative restrictions have two aspects. Firstly there is the extent to which they restrict access of imports - which is what we have been considering so far in this statement. Secondly, there is the question of the trade rules applying to quantitative restrictions.

Now this is also an issue that has scarcely been looked at in the work to date of the Quantitative Restrictions Sub-Group. But we think it is of considerable importance in the context of what we have termed "comparable footing of commitment".

The GATT is not just concerned with the level of barriers to trade. It is also very much concerned with the sorts of trade barriers that are used - indeed this is what the whole of Part II (Articles III-XXIII) of the GATT is about. And the thrust of Part II can be summarized as follows:

"Protection should only be given to domestic industry through the customs tariff and not through other commercial measures. The aim of this rule is to make the extent of protection clear, and to make competition possible."  
(Quotation from secretariat booklet on GATT.)

The experience of the 1930's prompted the drafters of the GATT to place particularly strong strictures on the use of quantitative restrictions, which, except in certain very closely defined circumstances, are explicitly forbidden as a means of protection to domestic industry.

Despite this, a number of developed countries have maintained a wide range of quantitative restrictions, either illegally, or under waiver, for many years.

This means that those countries are not nearly as constrained in the sort of protection they afford their domestic industries as Australia is. In other words, there is no comparable footing of commitment. As a result they rarely find it necessary to resort to the formal safeguard clause of the GATT, Article XIX, and accordingly do not fall under its disciplines.

### Conclusion

Let me now pull together what I have said about negotiations on access and trade rules as they affect quantitative restrictions.

It seems to Australia that future work on quantitative restrictions can head in a number of directions. The direction that Australia has always favoured would be for countries to work together on a realistic programme for the phase out of illegal quantitative restrictions. This would need to go hand in hand with an examination of the existing rules, since it may be that they need to be modified so that they are more attuned to the problems of import control that have arisen or been identified since GATT was drafted. We have already suggested some possibilities along these lines at the April meeting.

This work would have obvious implications for the Safeguards Group, since if countries are to phase out their quantitative restrictions as a permanent device of protection, they will want to have ready access to emergency procedures to meet particular situations.

In our view, however, unless illegal quantitative restrictions are tackled rapidly in the Quantitative Restrictions Sub-Group, then doubt must be thrown on the meaning and purpose of the MTN as a whole. What is the use of reducing tariffs or some other barrier to trade, if a quantitative restriction negates any beneficial impact of such a move. Unless work in the Tariffs Group is complemented by work on a similar basis in other areas of the negotiations, such as on NTM's, the MTN becomes little more than an academic exercise.