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ON  
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**COMMITTEE III - COMMERCIAL POLICY**

**EXTRACT FROM STATEMENT BY MR. H. C. COOMBS (AUSTRALIA) AT  
THE FOURTH MEETING HELD ON 3 DECEMBER 1947, CONTAINING  
EXPLANATORY REMARKS RELATING TO THE GENERAL AGREEMENT  
ON TRADE AND TRADE.**

(Distributed at the request of the Chairman and several  
Members of the Committee)

Mr. Chairman, I would like to make some comments on the provisions of Article 17. In listening to the discussions during this debate it has seemed to me that some of the Members of the Conference are not fully clear as to the way in which negotiations are contemplated, how that Article will in fact operate.

It is true that the Article does require a country to carry out negotiations directed to the substantial reduction of tariffs and other charges on imports and to the elimination of preferences. We have had, as a Member of the Preparatory Committee, some experience with negotiations contemplated in this Article and I think we are, therefore, in a position to offer some reassurance to some of the countries, to some of the delegations here, who have expressed fears as to the way in which that negotiation would operate.

We regard ourselves, Mr. Chairman, as a country which has considerable development in front of us and furthermore we regard the use of protective measures as a necessary and legitimate means of fostering that development.

We therefore went into the negotiations in Geneva determined to protect the right of our Government to carry on this policy of industrialisation and to use legitimate protective devices for that purpose. We were concerned that nothing should happen as a result of those negotiations which would impair either our present or future capacity to carry out further industrialisation as might be necessary for that purpose.

Accordingly, when we received requests from other countries for the reduction of particular items on our tariff lists, we scrutinized those requests with considerable care and where we felt that a request was not consistent with the main reason for the protective tariff, which we felt to be necessary to the continued security of an industry, we struck out that request as one which we were not prepared to negotiate.

/In other cases

In other cases we might have been prepared to negotiate and make minor concessions of a size considerably less than that sought. In other cases we had requests upon items in our tariff which were already fairly low, but might affect industries which were not producing greatly at the present time. They were industries, or commodities, which we contemplated would come within the field of our industrial programme within a relatively short time. In those cases we either withdrew the item from negotiation altogether, or, in some cases, we did carry out discussions relating to them. But we made it clear to the parties with whom we were negotiating, that we were not prepared to bind the item. That is, while we did in some cases grant some reductions to the present tariff, we made it clear that we were not prepared to bind that production, and we therefore preserved our freedom to raise the rate to a higher protective level if subsequent development require us to do so.

For instance, the United States made a request upon us for the reduction of duty on motor car chassis. We have in Australia an industry which has for a number of years been concerned with the production of motor car bodies and certain motor car parts and they are generally assembled in our country. It is our Government's intention to proceed with the development of an industry which will produce complete vehicles. We therefore were unable to meet this request and we informed the United States, from whom the request came, that we were not prepared to bind the tariff items which covered the parts of the motor vehicles employed in the motor vehicle chassis.

We can quote quite a number of cases, gloves, metal work, machinery and other items of these kinds where we had a request for reduction in this tariff item. We merely informed the countries concerned that we were unable to consider their requests, and that was the end of the matter so far as those requested were concerned.

Now I do not mean to say that that is the whole story. Naturally, the benefits which we could expect to get from other countries in these negotiations were conditioned by the reductions we ourselves were prepared to make, and because we found it necessary to withdraw those items, and many others which I have not referred to, from negotiations, because we considered their continued protection essential, we had to accept less reductions from the other party than we might have been able to secure had we been prepared to make reductions on those items. We therefore got what might be called a thinner or narrower agreement than might have been possible if we could have put those items into the pool. But the point I wished to make is that it was for us to decide what items we were prepared to negotiate and we found in practice that it was possible for us to conclude a set of agreements which were advantageous to us, and we believe were advantageous to the countries with whom we negotiated --- and at the same time to preserve our freedom of action in relation to those items which we considered essential to our industrial programme for some years ahead.

Furthermore, we were very anxious during the negotiations leading up to the General Agreement to make sure that even if we did bind, agree to the reduction and binding of a duty on

/a particular item

a particular item, that we did not mean we permanently thereby gave up the possibility of the production of that item at the outset under the shelter of protective measures. We therefore sought to have contained in the General Agreement provision whereby, after the Agreement had run its original nominal period of three years, it would be possible for us and, of course, for other countries, to take out a particular item which they had agreed to bind and unbind, so that they could then increase the duty if they wished to do so.

Naturally, since they concluded an agreement which was a bargain in which we had put in that a particular item had been bound, we were willing and are still willing for other countries with whom we negotiated the item to re-balance the bargain if we take out a particular part of it. But nevertheless we felt it essential to our future production that we should, if our industrial development advance to a further stage, undertake forms of production not now possible to us; that it would be open to us without a termination of the agreement as a whole, to take out from items we had bound, individual items which we would then be free to increase the protective tariff duties on, while at the same time accepting the right of the other countries with whom we negotiated either to get something in its place or to withdraw from us some concessions which they had granted to us during the original negotiations.

Furthermore, there is provision in the General Agreement, which is repeated in the Charter, which even makes it possible for a country to seek a release from the binding of a particular item during the original three years of the agreement. That, it is true is rather more difficult and the procedure is somewhat more complicated; it has to be done in effect with the concurrence of the other parties, although the Organization is required to give its good offices and assistance to reaching a satisfactory agreement on this item.

The result of this is, I believe, that countries who have ambitions in the field of industrial development have little to fear as to the freedom of action in relation to tariffs and the provisions of Article 17 if the discussions at Geneva can be regarded as a fair indication of the way they will operate. The degree of commitments which they will accept are for themselves to determine. Even then there is a period to those commitments after which their freedom of action in individual items can be resumed with a re-balancing of the bargain without having to destroy the bargain as a whole. There is even provision for some review of these bindings during the period of agreement.

Another point is that one reason for withholding an item from negotiations is that you may wish to increase the protection or maintain it at its present level. In some cases the items with which we were concerned had duties which were eventually a revenue and we were not prepared to negotiate because we wished to maintain the revenue capacity at the existing level.

This question of tax has been referred to several times during the discussion and I think that I am right in saying that even where an item has been bound, it is open for a country if it wishes, to increase the duty on that item for revenue purposes provided that a corresponding increase is imposed on the domestic production of the same article. ....

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