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AUSTRALIA

Statement by The Hon. Michael John Duffy, M.P. Minister for Trade Negotiations

Yesterday we celebrated the 40th anniversary of the GATT.

If yesterday was a day for looking back, today must be a day for looking forward. There appears little in the fundamental principles of the GATT with which to take issue, but I think the big difficulty is that confidence in and reliance on the GATT appears to have lessened. For that reason, we must plan ahead by setting clear objectives to retrieve momentum and relevance for the GATT in tackling the problems in the international trading system.

I can assure you that in this task you can count on our support because Australia is committed to the multilateral trading system.

When I took up my portfolio responsibility as Minister for Trade Negotiations, it was clear to me that the Uruguay Round would be a central part of this process of arresting the decline in the world trading system, and giving it new confidence and direction. Therefore, I believe that we must all work hard to maintain the existing GATT as the foundation upon which we would add the outcome of the Uruguay Round, so as to build an organization which will be relevant for both international trade and trade policy formulation into the next century.

This is not an easy task. Trade performance in the past two years has not picked up, and only modest gains are expected in 1988. Some of the blame must be laid at the door of governments who by direct intervention have ignored the realities of the market place. The international stock market crash also emphasizes the importance of seeking to open up trade opportunities. It underlines the necessity of governments adopting domestic policies which are aimed at getting the economic fundamentals right.

We must give encouragement to the use of current multilateral mechanisms in the GATT as part of our attempt to defuse bilateral trade disputation. In the present difficult circumstances, we should remind ourselves that international consultation and co-operation will bear more fruit than government funded and promoted trade wars. Ad hoc and bilateral solutions to disputes have a propensity to establish international practices which have the effect of ensuring that the principles of trade liberalization and economic growth never become everyday practice.

We have embarked upon a course of negotiations in the Uruguay Round to achieve in the long-term substantial trade liberalization in a wide range of sectors. However, while we have set out long-term objectives, we, as governments and as political individuals, have to manage our affairs in a much shorter timeframe.

We all face pressure from domestic interest groups who argue that protectionist policies proposed or implemented in other countries justify similar short-term responses. None of us wants to respond to these pressures with policies which would restrain trade. Neither can we totally ignore them. To meet these pressures, we need early results from the Uruguay Round. We certainly cannot think of trade liberalization as exclusively a long-term objective. We cannot put aside for four years the implementation of solutions to basic problems in the international trading system.

We need to set ourselves four immediate objectives.

Firstly, we must scrupulously implement our standstill and rollback commitments which provide reinforcement of the trade liberalization principles of the GATT.

Second, we must implement policies designed to reduce inefficiencies in national economies and reduce domestic pressures for protection.

Third, we must use the GATT processes for consultation and dispute settlement to obviate resort to bilateral solutions which impair the trade of other parties.

Finally, we must put in place in the shortest possible timeframe, in the context of the Uruguay Round, measures which will begin to reverse the undermining of the open multilateral trading system.

Australia believes that we should set our sights on a mid-term ministerial level review of Uruguay Round progress towards the end of 1988. We must be ambitious in our aspirations for such a review because our domestic constituencies are impatient for results. We must aim for an acceptable package of results that will firmly set the direction of the final outcome from the Uruguay Round.

This mid-term package should include at least the following elements:

- for agriculture: early relief measures and agreement on the long-term objectives;
- for market access: agreement on approaches to achieve general reductions and barriers to access, and reductions themselves to be negotiated in 1989;

- for tropical products: significant reductions in barriers to market access;
- for services: agreement on a general framework;
- for dispute settlement: improved rules;
- for functioning of the GATT: new arrangements for greater ministerial involvement and for trade policy surveillance.

Any mid-term package must address all issues in the Round, although the measure of progress will differ among topics. Australia for its part is committed to the preservation and improvement of the multilateral trading system. In this we recognize that we cannot approach the negotiations as a "single issue" country if we are to expect others to respond. Obviously, in any mid-term review, agriculture is important to us.

The Australian economy is being restructured as a matter of conscious policy to ensure that our manufacturing sector becomes increasingly exposed to the bench mark of international comparative advantage. Similarly, with regard to trade in services, we consider that we should develop our industries on what we can do best compared with others.

For Australia this is neither a less painful exercise nor one which is more politically palatable than it is for any other country. It is a more acceptable process, if we do it together. The 40th anniversary of the GATT is just the occasion to renew our commitment to its basic principles and to re-state our determination to collective action to reform and strengthen the international trading system.

But most of all, I suggest that, what the mid-term review should aim to do, is to go beyond the rhetorical achievements we have made over the last twelve months, to include the first real measures which will be recognized as practical results.