GENERAL AGREEMENT ON

TARIFFS AND TRADE

SR.45/ST/17
20 December 1989
Limited Distribution

CONTRACTING PARTIES
Forty-Fifth Session

Original: English

AUSTRALIA

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Several speakers have already drawn attention to the significant -- and, in some cases, exciting -- challenges which currently face the multilateral trading system. They have noted the importance of the Uruguay Round in seeking to achieve a broad-based liberalization of trade, and to strengthen and extend the coverage of multilateral rules and disciplines. As has been noted, some important progress has been registered in the form of mid-term agreements, one of which will next week see the first in a series of reviews to be conducted under the Trade Policy Review Mechanism. Australia is honoured to be the first country to be subject to this process of review.

Valuable as they are in building confidence in the Uruguay Round processes, the mid-term reforms are modest in terms of the task which we face in the year ahead. At a time when rapid and unexpected changes are occurring in the world economy, and when there is encouraging evidence of further moves in the direction of the free-market principles on which the GATT is based, it cannot be emphasized enough that the Uruguay Round is an undertaking which cannot be allowed to fail.

This year has been a particularly busy one for the operation of the GATT. While much of that activity has been generated by the important developments within the Uruguay Round, it is evident in the reports which have been presented to this session that encouraging progress has been achieved over this past year by the effective use of the GATT dispute settlement procedures.

Both in the number of cases that have been finalized and the importance of principles that have been determined, we consider that this has been a remarkable year. Like others, we have renewed confidence that the GATT dispute settlement procedures can be applied in ways that provide for reform programs to be negotiated between parties affected in a way that is seen to be fair to their conflicting needs.

As is only to be expected, the reforms usually required to be implemented as a result of panel reports, once adopted, are not trivial. They can require policies and legislation to be changed in a direction and

at a pace that would not be the first preference of the party undertaking these changes. It is unfortunate that from time to time, there is resistance to the adoption of panel reports. This resistance seems to stem not so much from the findings, but from a belief that by doing so, the report and its unpleasant consequences will somehow go away. In looking at these matters we have to distinguish between the recommendations of the panel report and the domestic political capacity of a country to carry out recommendations which it finds politically unpalatable. The GATT has only a limited array of legitimate sanctions. But its most effective sanction is moral force. If a country joins the GATT, then it has agreed to the rules of the club. Where the rules are obscure, or ambiguous, the panel process is necessary to clarify the issue. Having elected to go down the panel course, there is an obligation, in our view, to adopt reports readily. To do otherwise is to undermine the whole GATT process.

It is preferable that contracting parties, faced with recommendations that they cannot implement immediately, be prepared to use other GATT processes that would allow them to obtain GATT coverage for certain policies not in themselves GATT-consistent. If the GATT system is to be reinforced, it is essential that we see further evidence of processes which provide the certainty, transparency and confidence that would not be possible in situations where a contracting party with GATT-inconsistent measures attempts to maintain a justification, under one or other GATT Articles, that is no longer appropriate.

Most positively, Australia considers that the objective of maintaining, strengthening, and indeed repairing the GATT system is potentially one of the major contributions that the Uruguay Round can make to the international trading environment. Countries need to both clarify and strengthen GATT rules and disciplines on a systemic basis, to remove exceptions and grey areas in the GATT régime.

In this regard, it is vital that such rules and disciplines encompass all areas of economic activity. For Australia -- and I know for many other countries in this hall -- the priority areas for reform include primary commodities, in particular, trade in agricultural and natural resource-based products. The lack of effective, clear disciplines on primary products is one of the major causes of dispute in the international trading system. Unless we can resolve these problems, there can be no satisfactory outcome to the Uruguay Round.

Australia recognizes that the international trading community has made increased use of the GATT dispute settlement provisions during the current Round. This is in contrast to experience in previous rounds. Noting that the majority of panel reports are adopted and implemented within a reasonable period, we are confident that the GATT's dispute settlement procedures, strengthened already in this current Round, will continue to be a widely respected multilateral mechanism for responsible behaviour to settle or at least defuse international trade problems and tensions.

Nevertheless, we share the view expressed by the Director-General at the last meeting of the Council, that there is considerable room for improvement if GATT dispute settlement is truly to become, as stated in the April Decision of the Trade Negotiations Committee, "A central element in providing security and predictability to the multilateral trading system".