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TRADE POLICY REVIEW MECHANISM

AUSTRALIA

MINUTES OF MEETING

Chairman: Mr. Rubens Ricupero (Brazil)

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. Introducing the meeting, the Chairman recalled the objectives of the trade policy review mechanism as set out in the Council Decisions of 12 April 1989 (L/6490).

2. According to these Decisions, the Council's work was to be based on two reports, by the Government of the contracting party under review and the Secretariat (C/RM/G/1 and C/RM/S/1). The report by Australia followed the outline format for country reports agreed by the Council in July 1989 (C/M/235). The Secretariat had, in line with the Decisions establishing the Trade Policy Review Mechanism, sought clarification from Australia on its trade policies and practices, as far as the factual information contained in the first six Chapters of its report was concerned.

3. The Chairman drew attention to a number of procedural aspects set out in document C/RM/1. He noted that some contracting parties had given written advance notice of points they wished to raise at the meeting, and these communications had been passed on to the Australian delegation in Geneva. He encouraged all members of the Council to focus in their interventions on major points.

4. The Chairman said that the discussion should cover four broad headings, namely an appreciation of the full range of Australia's trade policies and practices; the relevant background, in particular wider economic and developmental needs and the external environment; the impact of Australia's trade policies and practices on the functioning of the multilateral trading system; and general comments by way of assessment and evaluation. He thanked the two discussants who had accepted the burden of assisting the Council in its deliberations, in their personal capacity. For the review of Australia, Ambassador Kartadjoemena would act as the lead discussant and Mr. Witt would make supplementary remarks.

II. INTRODUCTORY REMARKS BY THE DIRECTOR-GENERAL

5. On the occasion of the first review meeting in the framework of the new Trade Policy Review Mechanism, I thought it appropriate to share with you a few observations at the outset.

6. The first and most obvious point to emphasize is, of course, that this is an historic day for the GATT. We will all be participating in a première. However, two features distinguish today's première from many others. For one thing, you will be both witnesses of and actors in this event. I should like to use this opportunity to express the hope that, today and during all future review meetings, we shall have very lively and constructive discussions in the Council. Second, it is a première without any dress rehearsal. This brings me to my next observation.

7. During the three days ahead, the Council will have before it the first set of reports as a basis for its considerations. With these reports and the discussions in the Council, we are taking a first step in what may become a long-term enterprise. It would be surprising if, by the end of this meeting, we came to the conclusion that we have got everything right as far as the reports or the procedures of the meetings are concerned. There will be need and opportunities for improvement. In short, my way of looking at the Trade Policy Review Mechanism, in particular in its initial phase, is that it is a learning process for all participants involved.

8. The Decisions by the CONTRACTING PARTIES establishing the Trade Policy Review Mechanism to which you, Mr. Chairman, referred, make it clear that the reviews are not a substitute for dispute settlement procedures. There is therefore no point in dwelling, in the discussions, on the legal consistency with individual GATT Articles or provisions of individual trade measures of the contracting party under review.

9. The Decisions make it also clear that the reviews are a collective appreciation and evaluation by the CONTRACTING PARTIES of the full range of trade policies and practices of the contracting party under review. In other words, we are not dealing with reviews by the Secretariat. This has guided the Secretariat in preparing its own reports on the countries whose policies are being reviewed. The Secretariat's efforts have been focused, not on making an evaluation or on drawing conclusions of its own, but on putting down the facts relating to each country's trade policies that are needed for the Council to have an adequate picture of the policies in place. The Secretariat reports thus supplement the material presented in the reports furnished by the individual government.

10. The information contained in the two reports is, of course, an important source of transparency and thus is worthwhile in its own right. However, the information is intended to be updated through brief reports between reviews. Provided that the principal decision to conduct country reviews is confirmed at the end of the Uruguay Round, I would see the most fundamental value of the TPRM in the possibility of tracing and comparing the evolution of trade policies from review to review. The enhanced

transparency thus established can, by itself, become a yardstick for the effectiveness of the new mechanism.

11. The new Trade Policy Review Mechanism is a cooperative endeavour. It is an excellent opportunity to bring to bear the collective responsibility of all trading partners for the health of the multilateral trading system. In this spirit I wish all of us a most productive and rewarding start into this collective venture.

III. INTRODUCTORY REMARKS BY THE REPRESENTATIVE OF AUSTRALIA

12. It is a privilege and indeed a challenge to be the first country to have its trade policy reviewed under this Trade Policy Review Mechanism.

13. The challenge is twofold: first, to provide the Council with a presentation of Australian trade policy which faithfully portrays all the economic, social and political factors that go into its making. Second, and of course in this we share with the other two countries whose trade policies are also being reviewed at this Council, the challenge is to launch the Trade Policy Review Mechanism exercise in an effective way that will ensure that it becomes a permanent, definitive and valuable element of the GATT's work.

14. The Council has before it a wealth of information on Australia's trade policy and I can therefore keep my introductory remarks to a minimum. I would however like to emphasize in particular some of the points contained in our introductory statement which has been circulated with the report prepared by Australia.

15. The first point is the importance which we in Australia believe should be attached to transparency. The April TNC agreement which led to the review which is now being undertaken stressed that the review should "contribute to improved adherence by all contracting parties to GATT rules, disciplines and commitments, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of contracting parties". The agreement stressed, however, that "it is not, however, intended to serve as a basis for the enforcement of specific GATT obligations or for dispute settlement procedures, or to impose new policy commitments on contracting parties".

16. In preparing our own report, and in discussion with the GATT Secretariat team which visited Australia in August of this year, we have sought to provide information which is as comprehensive as possible on trade policies. In doing so, we have been conscious that there are areas of Australian trade and industry policies which will generate criticism in Australia and in the GATT forum. However, the prospect of adverse criticism of Australian trade policy does not unduly concern us, and neither should criticism of their trade policies concern others who will follow us in this surveillance process. We accept that policies evolve over time, and that there are valid reasons why the pace of change may not be as fast as we regard as desirable. The reality is that there are political considerations which must be taken into account in the evolution of all policy formulation, and the benefit of the TPRM approach is that it will contribute to, rather than force, change in a desirable direction.

17. However, the report also provides an opportunity to correct some misconceptions about the current nature of Australian support for industry, and in particular that, while it was true not many years ago that there was a generally high level of protection for the manufacturing sector in Australia, this situation has changed dramatically.

18. For example, by the time of the next scheduled review under the Trade Policy Review Mechanism Australia will have average levels of protection across all sectors comparable with other developed economies, a situation which many would have considered as a remote possibility only a few years ago.

19. In particular, the report establishes that, in the next few years, protection will be provided predominantly through the tariff, the most transparent of all border protection measures, and that the level of tariff protection in Australia, on a trade-weighted basis, will average around some 5.5 per cent.

20. This is not to say that Australian trade and industry policies will stop evolving or that they now, or will in the future, satisfy all the aspirations of our trading partners. There are clearly areas of policy where others have identified concerns about specific measures in Australia, and, while a number of these will be moderated under programmes already under way, there will be others which are not currently scheduled for change. No doubt, there will be questions on these and other aspects of Australian policy during the process of this review.

21. But if there is one general point I could make at this stage in relation to the improvements that other contracting parties seek in the Australian market, it is simply to say that the Australian Government is looking to make a maximum contribution to the outcome of the Uruguay Round. We recognize that this is in our own interest. In this regard I might conclude my introductory remarks by quoting from a major economic statement which our Prime Minister recently delivered in Australia. In that statement he said: "in Australia, we have changed the perceptions, the horizons, the sense of direction. Today, the long-term direction in which we have to travel is clear to all: we have to internationalise". The Prime Minister then went on to say: "our industries can only be internationally competitive if their cost structures are not inflated by domestic protection, and if they operate domestically at world prices".

22. I think I can conclude my introductory remarks on that basis and look forward to responding in detail to all the searching questions which I am sure fellow contracting parties will want to address to us. I shall endeavour to answer as faithfully, and in as much detail as we can, those questions, and, where that is not possible, will undertake to provide supplementary information directly to delegations or through the Secretariat.

IV. STATEMENT BY THE LEAD DISCUSSANT

23. It is a great honour and pleasure for me to be the first discussant of the new GATT Trade Policy Review Mechanism. I wish to thank all the contracting parties for the confidence entrusted to me to initiate the discussion under the TPRM. I would also like to thank the GATT Secretariat for the assistance rendered in the preparation of this exercise.

24. At the outset, since this is the first country review TPRM exercise ever conducted, allow me to outline my understanding of the rôle of the discussant in the context of the entire exercise. I believe this is necessary since three distinct though related matters merit to be addressed.

25. First, the introduction of the TPRM is an institutional innovation. Thus, it seems to me, the institution-building character of the exercise merits careful nurturing. At the initial stage, there is a learning process involved for everyone concerned. Accordingly, some imperfections are to be expected at the beginning. but we can expect improvement as we go along. Over time, we can establish a solid practice which would satisfy our objective of developing an effective review system.

26. Secondly, the exercise is a step further in an attempt to understand more fully the individual trade policies of contracting parties. This has to do with the need for greater transparency and appreciation of the factors behind the trade policy of contracting parties.

27. Thirdly, the exercise should contribute to advancing further trade liberalization and multilateralism in international trade.

28. In the light of those considerations regarding the TPRM, the discussant, in his personal capacity, introduces the discussion in order to facilitate the interchange in the review among contracting parties.

29. Given the foregoing observations, permit me now to deal with the subject under discussion in the TPRM this morning, namely the trade policy of Australia.

30. In highlighting the salient points which contracting parties may wish to consider for further discussion, I am guided by the understanding that the special Council meeting focuses on major issues while minor points should be communicated directly to the parties concerned. I am furthermore guided by the understanding that the issues discussed are not intended as a basis for the enforcement of specific GATT obligations, or for dispute settlement procedures, or to impose new policy commitments on contracting parties.

31. In the paper presented by the Government of Australia (as well as the Secretariat paper which is intended to help contracting parties to focus discussion), the central thrust of the Australian Government policy is the process of trade liberalization which is presently ongoing in the country. It is reported that the process of liberalization has been initiated since

1985 and 1986, following adverse economic developments which led the Australian Government to undertake an overall assessment of its economic strategy.

32. Turning our attention to some basic fundamental points about the Australian economy, one can note that, as with any country, there are specific circumstances of a long-term structural nature which form the basis of a country's long-term policy preoccupation. In the case of Australia, certain fundamental factors specific to the country have been highlighted to be the underlying preoccupation of the country over the long stretch of its economic history.

33. Natural resource endowment and climatic conditions as well as abundance of arable land made it natural for Australia to concentrate its activities on primary commodities, both agriculture and minerals. Its relatively small population and other reasons quickly made it obvious for Australia to be dependent on international trade. Exports account for 20 per cent of national product, which is dominated by agriculture and mineral commodities, each accounting for 40 per cent of total exports. It should be of no surprise, therefore, that Australia takes great interest in the agriculture negotiations in the Uruguay Round. Nevertheless, despite its competitiveness in agriculture, there is still protection in this field. Delegations may wish to deal further with this point.

34. Manufacturing, which developed under high-cost and protected conditions, and which, in the 1960s, accounted for 22 per cent of GDP, contracted during the 1970s to less than 20 per cent. Rationalization in the manufacturing industry suggests that some manufacturing activities had to be abandoned by force of economic logic.

35. Yesterday, during the discussion of the report by the Director-General, some delegations questioned whether a country which still maintains high tariff protection should be noted for making progress. The reference was to the automotive industry in Australia. The Australian delegation replied that, while the level of tariffs was admittedly still high, the country did not maintain quantitative restrictions and it did not impose voluntary export restraints and other non-tariff barriers. Indeed, what is important in the multilateral system is the maintenance of the trend towards improvements. It is not only the static situation but also the central tendency that counts. In this connection delegations may wish to discuss further Australia's policy on manufacturing imports and its intended trade policy on manufactures.

36. At any rate the foregoing features make Australia's economic structure somewhat different from the norm of most developed countries.

37. By contrast, the services sector in Australia is comparable in size to the case in most developed countries, accounting for two-thirds of the GDP. A number of these services sectors have been highly regulated, including, until recent years, the financial sector. Delegations may wish to deal further with deregulation in the field of services. If delegations

so wish, it would be the first interchange on the trade aspects of services in the Council touching on a specific country policy in this field.

38. Australia has been a capital importer throughout its history, reflecting its central activities as a resource-rich country engaged in the exploitation of its resources. This is also reflected in its counterpart current account deficit, which for a generation averaged 2.5 per cent of Australia's GDP. Consistent with this state of affairs, Australia has been generally open to equity investment. Moreover, in recent years Australia has further liberalized its investment policy. Yesterday, some delegations suggested that the review process should attempt to deal with the broader financial, investment and balance-of-payments questions more fully. Delegations may wish to touch on these questions by way of discussing Australia's capital flow requirements.

39. As a mixed economy, Australia has a wide-ranging public sector involvement featuring large-scale publicly-owned business enterprises such as telecommunications at federal level and electricity at State levels. Nevertheless, the public sector in Australia is in the "lower tier" of OECD countries. Delegations may wish to know whether the long-term intention of Australia is to lower or to maintain the current level of public sector involvement.

40. Against the background of the longer-term economic and structural fundamentals, we can turn to some external and internal macro-economic factors which have dominated Australia's economic policy in the period under examination.

41. Adverse international economic developments in 1985 and 1986 highlighted some long-standing structural rigidities in the Australian economy. This provided the opportunity to reassess the merits of some policies being pursued. To regain international competitiveness, macro-economic adjustment and structural reforms were introduced.

42. At the macro-economic level, tight fiscal policy and wage restraint were the focus of macro-economic adjustments while monetary policy was used in a balancing rôle to ensure an overall strategy of restraint. The policy of restraint can be highlighted by noting that federal expenditures, which in fiscal 1984-85 reached a peak of 30 per cent of GDP, were reduced to 24 per cent in 1988-89. Moreover, total public sector borrowing was reduced from a peak of 6.7 per cent of GDP in 1983-84, to a surplus of 1.1 per cent in 1988-89. One is therefore reminded of the fact that it is possible for a developed country to pursue an even-handed macro-economic policy without resorting to trade measures towards trading partners to restore trade balance.

43. Measures related to structural reforms include reductions in border measures, the floating of the Australian dollar, deregulation of the financial markets and fiscal reform. In the areas closer to the business operation necessary for a more competitive market-oriented economy, reforms have been undertaken in the labour market by decentralizing wage determination and by linking wage increases with productivity improvements.

Reforms have been undertaken as well in business regulations, in government-owned enterprises, and deregulation in the transport industry.

44. So far, these reforms have been undertaken at the federal level. Delegations may wish to ask what the prospects may be in pursuing the reforms at the State and local levels.

45. My colleague Mr. Witt, who shares with me the honour of being discussant during this first Special Council meeting in the TPRM framework, will deal further with the more specific trade policy issues related to Australia. There is still much unfinished business in the Australian programme of reform. Delegations may wish to address some questions on those issues. The Australian Government paper has indicated that further liberalization on tariffs will be contemplated subject to satisfactory developments in the Uruguay Round on subjects of interest to Australia. These may be some of the areas on which further dialogue during this session may be concentrated.

46. On my part, I merely wish to stress that, in examining the Australian case, one can note that the foregoing structural reforms and macro-economic adjustments are significant measures. They are important measures. The direction of the trend is towards strengthening the basic economic foundation of a freer world trading system. They are necessary reforms. They are also difficult to undertake.

47. Regarding these structural reforms, I wish to stress that if they are necessary for developed countries, they are equally necessary for developing countries. The two cases may be different in their specific aspects because they reflect some fundamentally different problems. But they are needed in both cases and they should be encouraged and supported internationally. Secondly, if these necessary reforms are difficult to undertake even for developed countries, they are doubly difficult for developing countries. The international community must therefore facilitate such reforms.

V. SUPPLEMENTARY REMARKS BY THE SECOND DISCUSSANT

48. Thank you for giving me this unique opportunity to make a statement in this Council meeting.

49. It is unique for two reasons: first, because as the Director-General has already pointed out, the exercise we start today is a world première, the "first morning" of the first TPRM; second, because it provides a voice to someone who for the past three years has sat quietly yet attentively on one side of this Council Room.

50. Because it is the first morning and because discussants are not regular actors, but perhaps rather "extras" in this première, permit me also to make a few general remarks before I deliver my additional comments on Australian trade policies.

51. The personal capacity in which the discussants are asked to make their statements has been stressed by my colleague and co-discussant so that I can fully associate myself with what he said. We should not try to attempt, and do not attempt, to assess and evaluate the trade policies and practices of the contracting party under review; this is the task of the Council itself.

52. Given the abundance of material and information contained in all the reports, the discussants' remarks can only suggest some lines of thought which the Council might find worthwhile to consider. All the reports which are in front of us during this Trade Policy Review have been skilfully and carefully drafted by both the Governments concerned and by the Secretariat. I cannot but congratulate them on all their work.

53. To underline the personal capacity, in which the comments are to be made, I should perhaps start with a very personal experience. When I first received the six reports and the annex to one of them, which is almost as heavy as all the reports together, I felt reminded of what I once heard about answers to parliamentary questions. Someone said jokingly that answers to parliamentary questions should be brief, true, and should add nothing to the information already available. Having read through more than a thousand pages I can honestly state that the reports are certainly not brief (but that's inevitable); they certainly added a lot to at least my knowledge (and that's good); and whether they are true is for this Council to judge.

54. Every assessment depends on the parameters which we apply, or to use a word very much in use in recent weeks, the "benchmark" against which we try to appreciate the trade policies and practices under review. Every Government has its own specific parameters; we have heard about them in former Council meetings, we hear about them in the Negotiating Groups of the Uruguay Round, and we now read about them in the reports in front of us. But as these parameters differ from country to country, they cannot serve as the benchmark against which the Council could appreciate the trade policies and practices and consider their impact on the functioning of the multilateral system. Thus the only parameter available is the multilateral

system itself, i.e. the fundamental ideas and principles underlying the GATT. For that is what all contracting parties have agreed to and what the Uruguay Round is aiming to strengthen. Therefore I should like to suggest that the Council looks at, and evaluates, the trade policies and practices of the contracting party under review against the background of the basic GATT ideas:

- Are trade policies and practices transparent?
- How far has the principle of non-discrimination (m.f.n./national treatment) been realized?
- How far has the principle of "tariffs only" been adhered to?
- Do the trade policies and practices contribute to liberalization, to the reduction of tariffs and non-tariff barriers (as stated in the Preamble of the General Agreement)?
- What is the pattern and degree of protection?
- Is there an adequate degree of stability and predictability?
- What is the record of the contracting party under review with regard to the dispute settlement procedures and adherence to the multilateral system?

55. I am convinced that against the benchmark of questions like these the Council will, at the end of the day, have evaluated and appreciated the consistency of the contracting party's trade policy and practices with the multilateral trading system, as well as the contribution of these policies to, and their impact on, the system.

56. Let us apply this approach to the Australian trade policy review.

57. First, there is the basic aim of liberalization. Last year, Australia embarked on a major reform programme which includes, inter alia, substantial phased reductions in tariffs and phased elimination of certain quotas, reductions in assistance to a few highly assisted parts of the agricultural sector, changes in business taxation, and relaxation of controls over government business enterprises. These and other measures (for the most part still in the planning stage, but some already realized) are certainly a major step towards liberalization, because they reduce border protection as well as direct or indirect domestic support for individual sectors, and thus the effective rate of assistance.

58. On the other hand, this process starts from a very high level of overall protection. It could be argued that the Australian economy still remains too well protected if compared with other industrial economies. In paragraph 92, the Secretariat points out that the fact that, in 1988/89, about two-thirds of Australian imports entered duty free does not permit any straightforward conclusions on the openness of the Australian economy. Estimates by the Industries Assistance Commission indicate that the economy

is not only still highly protected, but that the levels of assistance are very uneven in many of the manufacturing and agricultural industries, for example, textiles, clothing, footwear and cars in manufacturing, dairy, sugar, tobacco and some other products in agriculture. The tariff reduction programme of May 1988 expressly exempts textiles, clothing, footwear and passenger cars. And for textiles, clothing and footwear, there is a special tariff quota system in place until 1992/95. So, one might stress the necessity of the Industries Commission's future work programme for the time after 1992 (referred to in paragraph 201 of the Government report) and ask: how will tariff quotas, quantitative restrictions and other non-tariff measures be further reduced, especially in the sectors with still high protection? Likewise, the assistance to agriculture by dual-price schemes, the underwriting schemes and by the statutory marketing boards (e.g. the Wheat Board, the Dairy or the Horticultural Corporation) merit further discussion. A liberalizing trend can be found in the remarkable reduction of bounties schemes (see para. 188 of the Secretariat report). But on the other hand the two bounties for shipbuilding and metalworking machine tools extend to both domestic sales and exports.

59. The second principle is that of transparency. Prima facie, this principle does not seem to be a major cause for alarm. On the contrary: the Industries Assistance Commission seems to have been a remarkable invention, as it has contributed to changing public attitude by highlighting the costs of protection. (What will be the road of the new "Industries Commission"?) On the other hand one might query whether in the present times of major reforms, when substantial changes take place every year, Australia's trade policies and practices are still sufficiently transparent, reliable and predictable not only for domestic industries but also for foreign business partners.

60. Third, with regard to the principle of non-discrimination, Australia applies a number of exceptions to m.f.n. Of course, there is the global scheme of general preferences for developing countries, which Australia introduced in 1960. In addition, preferential treatment is awarded to the Forum Islands, New Zealand and Papua New Guinea; and, since 1960, Australia has a preferential trade agreement with Canada. The Pacific Rim Initiative, on the other hand, is designed to create a forum for discussion only, while maintaining the principle of open and non-discriminatory trade (Secretariat report, para. 333). Thus, the Australian system of preferential treatment is not as elaborate as that of other contracting parties, but it could still have trade effects. Could the Australian delegation give a more detailed analysis?

61. Another question with regard to non-discrimination refers to the rôle and effect of the newly-created "Purchase Australian Office" for government procurement. What about national treatment? Both reports mention explicit policies on government procurement and offsets. The Secretariat writes (para. 141): "Australian policies in the area touch on questions regarding preferences for domestic suppliers and ... to trade related investment measures." Could the Australian delegation shed more light on the announced new guidelines? What is the rôle of State and local Governments

in procurement and preference to domestic suppliers? And what about the "partnerships for development"?

62. Fourth, with regard to "tariffs only", the trend seems to be going in the right direction, although there are still many quantitative restrictions. Further reliability could be created by a greater number of tariff bindings. Is Australia ready to bind substantially more rates? The declining trend in ad hoc import relief measures also seems worth mentioning (Secretariat report, para. 351). Is there further information on the new anti-dumping and countervailing régime? Are there already conclusions to be drawn from experience with the new legislation?

63. Finally, with regard to adherence to multilateral procedures, Australia does not have any difficulty in accepting dispute settlement procedures. Australia is also a signatory to most of the Tokyo Round Codes. However, why did Australia refuse to sign the Government Procurement and the Standards Codes? Are there any intentions to join them in the future?

64. These were some of my questions, arranged around the basic principles of GATT (liberalization, non-discrimination, tariffs only, transparency and predictability, multilateralism), all of which need constant strengthening to further improve our multilateral trading system.

VI. STATEMENTS AND QUESTIONS BY MEMBERS OF THE COUNCIL

65. Members of the Council congratulated Australia for being among the first countries to be reviewed, and thanked the discussants for their perceptive comments. They complimented Australia and the GATT Secretariat for the quality and the coverage of their reports. Many noted that the review was an historic event for GATT, and hoped that the TPRM process would have a great impact in achieving transparency of information and analysis of contracting parties' trade policies.

66. The representative of Chile expressed satisfaction with Australia's will to continue trade liberalization and to make its policies more transparent and predictable. He noted Australia's determination to reduce protection to levels comparable to the OECD average by the time of the next review. As a member of the Cairns group, Chile had witnessed Australia's important decision to move to an open market. He hoped that Australia would persevere with its programme, in order to reduce its export dependence on mining and agriculture and thus improve its terms of trade. Similar policies had given good results in Chile.

67. The representative of Canada commended Australia for having clearly established its trade policy objectives in a broader economic policy framework. Microeconomic reform, including trade liberalization, was essential for improving efficiency and competitiveness. Though high tariffs would remain in some sectors, average protection would be substantially reduced by the mid-1990s. Australia's liberalization would help its own economy and the multilateral trading system.

68. The initiation and implementation of liberalization was complex in a democratic parliamentary system. Canada was interested in Australia's experience, including the important rôle of the Industry Commission in increasing public awareness of the costs of protection.

69. Canada expressed some concerns about certain Australian policies. While tariffs were the most common form of assistance to manufacturing, only a small proportion was bound. Increased tariff bindings should be undertaken in the context of domestic liberalization and multilateral integration. He sought further elaboration on the discretionary powers of Ministers and officials to prohibit imports of certain goods, on customs administration procedures such as tariff reclassification and introduction of changes in duties, and on the anti-dumping or countervail processes. The Australian paper had given little information on these aspects which were sources of some uncertainty.

70. He noted that Australia did not participate in several Tokyo Round agreements, including those on technical barriers and government procurement. He urged Australia to reconsider its position and asked for the authorities' assessment of the impact of recent reforms in government procurement. He applauded moves towards a quarantine system based on sound, scientific evidence, which would avoid undue protection. He sought further information on the new programme for inspection of food imports; in this connection, he expressed concern about whether the criteria for

classifying low, medium and high risk imports might discriminate in favour of domestic products. He noted that, on dairy policies, the Australian submission was not clear on the potential surplus-generating effects of milk support prices in the absence of effective controls on all milk production.

71. The representative of Canada encouraged the Secretariat to include more substantive assessments of trade policies and practices and trends in its future country reviews. He hoped that these reports could lead to a comprehensive audit of the impact of contracting parties' trade policies on the multilateral system. Canada hoped that the summary observations by the Secretariat could serve as a critical assessment of such an impact.

72. He noted, finally, that preferences between Australia and Canada predated the GATT.

73. The representative of the United States said that the central objective of the review exercise was, by increasing transparency and improving domestic and international scrutiny, to encourage a more open and predictable world trading environment. He commended Australia for the tremendous strides taken in its liberalization programmes and agreed with the view that it was the policy trend which mattered. His comments the previous day on the level of Australia's import duty on passenger automobiles were not to indicate dissatisfaction with the direction of Australian trade policy, but to draw attention to the fact that all countries could go further in the process of trade liberalization.

74. Four-fifths of Australia's tariff schedule remained unbound. He hoped that Australia's contribution to the Uruguay Round would give tariff reductions the permanence which only bindings could ensure. Increases in unbound tariffs by Australia created uncertainty for exporters, thus undercutting the utility of a decrease in non-tariff barriers.

75. He applauded Australia's commitment to eliminate non-tariff barriers still in place. Remaining tariff quotas were complex and cumbersome, and import licensing, quantitative restrictions and prohibitions existed in some sectors. Australia also maintained restrictive standards requirements and design rules for certain products. These had not been explicitly documented. In this context, he also noted the need for Australia to consider participation in certain Tokyo Round Codes, in particular the Agreement on Technical Barriers to Trade.

76. He noted that local content provisions were pervasive in some sectors and that proposals to expand these restrictions in television broadcasting had recently been tabled. These would reduce the broadcasting time available for foreign-produced programmes and discourage co-production arrangements among foreign and Australian film producing companies.

77. Regarding customs valuation, Australia had recently, in the Customs and Excise Legislation Amendment Act of 1989, added several elements resulting in higher valuation for customs purposes. In an existing high tariff environment, this was a significant new restriction.

78. The representative of the United States said that, while Australia was in the process of shedding many protective measures, more work needed to be done. He hoped that Australia would, in due course, reply to specific written questions submitted in advance of this meeting by his authorities. He hoped that in the next review of Australia it would be possible to conclude that Australia had made the maximum progress in achieving its long-term goal of reducing the level of protection.

79. The representative of Finland, speaking on behalf of the Nordic countries, noted that the new orientation of Australian trade policy was characterised by more openness, export orientation in non-traditional sectors, and deregulation across the economy. The Australian government was keen to encourage sustainable competitiveness in domestic manufacturing industries. In his view, apart from the application of new technologies and certain favourable exogenous factors like a successful Uruguay Round, this would require a change in thinking, including by the trade unions. He hoped that Australia would succeed despite its political and economic constraints.

80. He welcomed Australia's active stand in the Uruguay Round. Despite differences in some areas, the Nordic countries had generally been able to co-operate usefully with Australia.

81. He sought clarification on the low level of tariff bindings, Australia's lack of participation in the Government Procurement and Technical Barriers to Trade Codes and on the progress of the government's plan to abolish the preferential procurement scheme. He also asked about the policy regarding bounties to the paper and pulp industries. He noted that the number of anti-dumping measures in Australia had been reduced but that the number of cases was still relatively high. An impression had been created that these had sometimes been used as protectionist measures; in this connection, he asked how the Australian authorities viewed their future anti-dumping policies.

82. The representative of Finland noted that sub-national level regulations covered many trade-related aspects of Australian policies and asked whether the central government had plans, or powers, to harmonize such regulations, which could constitute frustrating impediments to foreign traders.

83. The representative of Switzerland said that comments and criticisms made in the TPRM reflected the interest of all contracting parties in respect for the rules and spirit of GATT. While the mechanism was not a substitute for dispute settlement, it could enable contracting parties to eliminate misunderstandings and thus contribute towards the resolution of some disputes. Moreover, while the review mechanism should not create new obligations, neither should it bring new rights into being. Even if a country made persuasive arguments for measures which did not fall under the GATT, it should not be able to refer to the review discussion as justifying them. The mechanism should not change the existing contractual nature of GATT, which represented an overall balance reflecting the interests of all contracting parties. The mechanism should show the consistency or

inconsistency of government behaviour in trade policy with other policies at the national and international levels. If inconsistencies were seen (which seemed inevitable), the Council should examine the underlying reasons and, if possible, propose means to avoid them both in countries under review and in all contracting parties. However, the position of the country under review in the Uruguay Round should not be prejudiced or suffer damage as a result; otherwise the review process would become much less transparent.

84. In the Australian document, the macro-economic context in which trade policies are being pursued was inadequately covered. This gap was filled to some extent by the Secretariat report. For a number of years, Australia had faced major current account and foreign debt problems, as well as inflation and budgetary difficulties. In these conditions, it was not easy to design consistent macro- and micro-economic policies. Australia itself considered the degree of openness of its economy to be relatively moderate. He wondered whether Australia had waited too long in only recently opening its economy to the outside and integrating it more closely with the world trading system.

85. Australia's decision to liberalize had resulted in many new rules and regulations setting it on a new path. The CONTRACTING PARTIES could only encourage the Australian authorities to continue in this way. The Secretariat report noted that liberalization would lead to considerable reduction in assistance overall, but that strong protection would continue in certain significant sectors. He questioned how, under these conditions, Australia could achieve the declared objective of greater competitiveness throughout the economy, and in particular in less competitive sectors.

86. Although Australia's tariff cuts were welcome, he noted that few rates were bound. In GATT terms, liberalization could not be valid without bindings. Given Australia's budgetary difficulties, he thought it would be wise to liberalize government procurement, particularly at the federal level, and to eliminate countertrade. He hoped that liberalization would also align quarantine practices with international rules. He further expressed the hope that improvements in the terms of trade since 1988 would persuade the government to continue its liberalization policies. He looked forward to Australia's replies to the written questions raised by his authorities.

87. The representative of Brazil expressed satisfaction with the beginning of the effective operation of the Trade Policy Review Mechanism. Today was an historic day for the GATT, as pointed out by the Director-General. The implementation of the TPRM represented a significant step in the strengthening of the GATT system. For many years, only developing contracting parties which had resorted to Article XVIII provisions had had their trade policies reviewed by GATT. Now all contracting parties were subject to review under the TPRM. This significant move would certainly change the nature of the institution and introduce a big challenge. The change in the nature of the institution should come by a more balanced distribution of rights and obligations among contracting parties. Developed countries, and especially those with an overwhelming impact in

international trade, were now assuming, under the TPRM, responsibilities compatible with their weight in international trade. The challenge was linked to the fact that what was before the Council was no more the easy task of passing judgement on small contracting parties. Attention should be shifted especially to those contracting parties that had a significant impact in international trade.

88. He thanked the discussants for their introductions. Like some of the previous speakers, Brazil would also have some questions regarding the review of Australia, which he would address on a bilateral informal basis. The Secretariat, in its paper (para. 361), had stated that, while the current liberalization programme would make Australia a more open economy, in some sectors (including some of interest for developing countries) significant levels of protection would remain. He asked why liberalization would not reach the same levels in those sectors as in areas of interest to developed countries.

89. With respect to the inclusion of services and intellectual property in the country report prepared by Australia, the representative of Brazil noted that in the Uruguay Round negotiations the basis for the compromise that allowed avoiding a deadlock was the idea of not prejudging the end of the negotiations, or how, and if, the results would be incorporated in GATT. He recognized that each country had a considerable level of flexibility in interpreting the concept of "full range of trade policies and practices". Brazil, for instance, felt that in the country report there was sufficient room for the inclusion of issues linked to external debt and the trade-finance link. Brazil's understanding of the limit to any interpretation in this area was the fact that the TPRM exercise was conducted in GATT, not in the Uruguay Round. The limit of the deliberations was therefore the letter and scope of the General Agreement. Brazil did not deny the right of any contracting party to include issues in their own report, but stressed that in no way should this inclusion be taken as a precedent. Moreover, in the outline format for country reviews, which established the benchmarks for country reports, there was no mention of intellectual property nor services. There was therefore no obligation for any contracting party to include the issues in those areas in their report. Brazil understood that the comprehensive discussion in GATT of the issues related to the new areas was conditional upon the results of the Uruguay Round.

90. The representative of Japan noted that a basic turn-around in policy towards increased economic efficiency and international competitiveness was taking place under Australia's recent liberalization programme. He applauded this initiative, but stressed that there was considerable room for further liberalization of trade-distorting elements in Australia's trade policy. He hoped that Australia would fully implement current policy and take further steps in the direction of liberalization.

91. He mentioned that Australia's average tariff rate was still high compared to other developed countries. While welcoming the programme of tariff reduction, he pointed out that even after it was implemented, the overall rate would not be as low as those in developed countries, including

Japan. Products such as textiles, clothing, footwear, and passenger motor vehicles would still bear high tariffs; it would be useful to know Australia's intentions regarding reduction in these areas. He asked whether the great importance which Australia seemed to attach to textiles in the Uruguay Round meant that Australia intended to put forward meaningful tariff concessions on textiles.

92. Australia's level of tariff bindings was extremely low compared to other developed countries, especially for manufactures. He looked forward to any information on Australia's intentions to make a major commitment in this regard. The general level of support to Australian domestic industry through subsidies was expected to remain relatively high, with support given to mining and passenger motor vehicles through tax exemptions or reductions as well as subsidies to research and development. He would appreciate information on the steps Australia intended to take in this context.

93. He noted that Australia, though a principal member of a group of countries which regard domestic price support as one of the most trade distorting policies, used domestic pricing arrangements as the main form of agricultural support. For Japan, this underlined the uniqueness of agriculture in the trading system.

94. The Japanese representative said that the wide coverage of the offsets scheme, which was presumably initiated for security reasons, caused concern to many trading partners. He looked forward to any measures to address this. He also noted that government procurement had a strong element of national preference and sought to know Australia's intentions on its possible accession to the Government Procurement Code. He sought further information on Australia's future intentions regarding elimination of the various local-content incentive schemes (whose GATT legality was doubtful).

95. The representative of the European Communities welcomed the emphasis of the May 1988 Economic Statement, which had led to the re-orientation and review of Australian trade policy in many areas. Acknowledging the far-reaching and courageous nature of these policy changes, particularly in the context of a large current account deficit and high external debt, he expressed interest in monitoring the progress achieved by the Australian authorities. In this context, he noted that Ministers had agreed that reviews could be brought forward in the event of changes in policies or practices.

96. He agreed with Australia on the importance of transparency in trade policy. He acknowledged the rôle of the Industries Assistance Commission in this regard, but noted that elaboration of its description in the background document would have been worthwhile.

97. Tariffs were of central importance in Australian trade policy. However, despite tariff reductions, only a small proportion of imports was subject to bound rates. Australia would show greater commitment to the multilateral system by increasing its bindings in the Uruguay Round. He noted that some very high tariffs were expected to continue, particularly

for textiles, clothing, footwear and cars. He also suggested that the wider spread of effective rates of assistance compared to nominal rates showed that the latter "mask more fundamental distortions resulting from trade policy measures in place" (C/RM/S/1, para. 207).

98. Estimates of assistance to agriculture did not include the effects of non-tariff measures such as sanitary, phyto-sanitary, labelling and packaging regulations. Data was also inadequate regarding the support provided by policies at the State level which, the Secretariat report had said, provided one-third of total assistance to agriculture. Lack of detailed information made it difficult to conduct an overall assessment of trade policies and practices. If GATT were to provide persuasive disciplines at the sub-federal level, trading partners would need more information on State-level policy making. The TPRM could be an appropriate means for responding to this need.

99. Australia was not yet a signatory to some Tokyo Round Codes. Wider acceptance of these Codes by Australia would be consistent with greater market orientation. The Communities hoped that recent reforms and harmonizations would lead to acceptance of the Standards Code by Australia. There was also scope for reform in government procurement policy, including greater transparency and acceptance of the Government Procurement Code. He wondered how the new "Purchase Australia Office" would fit in with the Code's disciplines.

100. The Communities representative noted the important rôle played by primary industry marketing authorities, and the recent creation of the Pork Corporation (1987) and the Horticultural Corporation (1988). Welcoming the recently announced review of these bodies, he hoped that efforts would be made to ensure that their operations follow relevant GATT disciplines, particularly the obligations under Article XVII which were under discussion in the Uruguay Round.

101. It would also be useful to have additional information on the scope and conditions of bounty schemes and on the export assistance provided by AUSTRADE, particularly for newly targeted industries, and the rôle of the new Trade Commissioner in relation to the aerospace industry. He sought further clarification on the development of trading links between the Pacific Rim countries and how these would fit in with Australia's commitments in GATT.

102. Australia's contribution to the multilateral trading system was considerable. The CONTRACTING PARTIES should consider this contribution on the basis of Australia's share in world trade as well as its active rôle in policy debate and planning. Australia's policies had been particularly transparent through the work of the Industries Assistance Commission.

103. The representative of India commended Australia for its steps towards liberalization, as a result of which the assistance to different sectors would fall over the next few years. He noted that, as stated in the Secretariat report, the share of imports which enter duty-free had increased, but that the share of duty-free imports in total imports from

developing countries remained virtually static. Moreover, the share of duty-free items in imports from developing countries was lower than that in total imports, partly due to higher tariffs for textiles, clothing and footwear which are items of particular interest to developing countries. While tariff quotas on these items would be abolished, tariffs would remain high. There was considerable room for further liberalization in these sectors.

104. The information on trade in services and on intellectual property rights provided by Australia went beyond the mandate of the TPRM exercise and of the GATT. While recognising that countries under review had flexibility in preparing their document, he felt that its coverage should be kept within the boundaries of the General Agreement.

105. The representative of India expressed an interest in an assessment by the Australian delegation on the impact of preferential trade arrangements on its overall trade flows. He expressed concern about the large-scale use of anti-dumping and countervailing measures, which had tended, on a number of occasions, to be used to protect domestic industries against foreign firms operating under normal and fair trade conditions.

106. The representative of Hungary noted that Australia was highly exposed to the external economic environment, given the large share of primary commodities in its exports, its high debt ratio and rising debt service. Under these circumstances, he appreciated Australia's structural adjustment programme, which had its painful side effects. Under the programme, assistance to industry and agriculture had declined. The reform programme had important implications for trade policy, including the diminishing rôle of anti-dumping and countervailing measures. Australia's tariffs were high, but falling, and Australia was willing to undertake tariff reductions within the Uruguay Round tariff negotiations. He hoped that Australia's rate of tariff bindings would increase. While tariffs in Australia were higher than average OECD levels, they were the dominant form of protection in Australia; other non-tariff measures had a less important and decreasing rôle.

107. The representative of Hungary noted that Australia's protection to agriculture was low compared to the OECD average. Australia's comparative advantage in this field should be acknowledged in the Uruguay Round. Australia's rôle in the agricultural negotiations, especially in the formation of the Cairns Group, and its efforts as co-ordinator of this group in the Uruguay Round negotiations, was highly appreciated. He mentioned specific concerns which would be discussed bilaterally with Australia. He asked for information on criteria used in the assessment of confidence in providing quarantine "pre-clearance" for food products.

108. The representative of New Zealand emphasized the health of his country's trading relationship with Australia. He noted that insufficient lead time was provided for comments in view of the volume of the documents, and asked that this aspect should be considered in the future.

109. Noting that the TPRM was essentially concerned with transparency, he said that Australia had a strong tradition in this respect. Several research organizations had helped to educate and change public opinion by highlighting the domestic costs of protection and the critical rôle of trade policy in microeconomic reform. Australia's liberalization programme had been praised by many as courageous; one result of the high quality analyses made was to highlight that such a programme was necessary to deal with the structural current account problem. New Zealand had discovered to its own cost that protectionism simply changed the pattern of imports rather than tackling the current account problem.

110. The declining level of assistance in the Australian economy continued the secular decrease in assistance to highly protected sectors since the mid-1970s. Australia's policy statements on liberalization were not just good intentions; plans had actually been enacted. The reduction in tariffs to an average rate of 5.5 per cent by the mid-1990s would be a considerable achievement.

111. Commenting on the preferential arrangements, he stated that the free trade area with New Zealand was consistent with the objectives of the GATT. This preferential arrangement was critical to opening New Zealand's own market on an m.f.n. basis.

112. New Zealand had still some difficulties with certain Australian policies, including bounties (although some progress had been made in this area), and the export facilitation programme for motor vehicles. It was also true that Australia had some problems with New Zealand's policies.

113. Australia's agricultural protection was aimed primarily at stabilization. The level of assistance to agriculture at the Federal level was low. In measuring support, it was important to take into account the assistance provided by sub-federal sources which in some cases could be substantial. He recognised the difficulties in implementing these policies and remarked that the trend in Australia had been towards policies based on adjustment rather than protection from market signals.

114. While some agricultural problems did exist between Australia and New Zealand, the Secretariat report gave a false impression that there was a general understanding limiting trade in agriculture between them. Even in dairy products, substantial trade took place, and from July 1990, there would be complete trade liberalization, subject only to the condition that New Zealand should not sell in Australia at prices lower than domestic prices, i.e. avoid dumping. This agreement resulted from a long, painful adjustment process in the Australian dairy industry, mainly in the 1970s.

115. Australia's contribution to GATT could be seen in the liberalization already undertaken, in Australia's important political rôle in the Cairns Group, in its initiatives in the Uruguay Round, and in the Pacific foreign policy and commercial initiative which should be seen as positive and did not present a threat to the GATT system.

116. The representative of Argentina considered that the meeting was a promising start for the TPRM. There was broad agreement on the direction of Australia's trade policy. Australia could usefully increase its level of tariff bindings; however, such steps should be matched by counterpart measures by other trading partners within the multilateral system. In this context, the concentration of Australian exports in certain product areas should be borne in mind, in particular areas in which discrimination and relatively low levels of bindings prevailed in many countries. World market distortions and protectionist measures abroad had negative effects on Australia's export performance. All parties should bear in mind the importance of reciprocity with a view to rights and obligations in international trade.

117. The documents showed that significant steps were to be taken in the reduction and elimination of non-tariff barriers. In this context he also referred to the proposal made in the Cairns Group with a view to preventing sanitary and phyto-sanitary measures from becoming barriers to trade.

118. Government assistance through tax reductions (which might be regarded as subsidies) should be related to developments in the Uruguay Round. It had not been established which types of subsidies were relevant to the negotiations and how trade might be affected.

119. The representative of Argentina noted that the imbalance in Australia's external sector was leading to growing indebtedness. He sought further information on negative effects of policies in certain markets on Australia's exports, including the displacement of exports by trade policies which caused distortions or de facto subsidies.

120. The representative of Israel observed that the importance of the TPRM exercise, and its contribution to a better functioning of the system, could be judged only in the long term. The objectives of the TPRM, as decided in Montreal, were to examine the full range of trade policies and practices of contracting parties and their impact on the functioning of the system. Attention should also be paid to the effect of the global economic policies of major countries and the structure of world trade on the terms of trade of the country being examined.

121. Israel agreed with many of the points and comments made in the meeting. It was clear that Australia was liberalizing its trade régime. This is not an easy task; Australia was involved in a painful process of structural adjustment, and it should be supported in so doing.

122. According to the Director-General's report on the evolution of the international trading environment, Australia was one of the four leading users of anti-dumping and countervailing measures. While the policy was to reduce the number of investigations and to improve the procedures, Australia remained a major user of these measures. Moreover, in most cases the sectors with a high incidence of these measures, such as chemicals, seemed to be already highly protected. Australia should consider the costs of additional protection provided by these measures and their effects in combination with other policies on trading partners.

VII. RESPONSES BY THE REPRESENTATIVE OF AUSTRALIA

123. The Australian representative thanked the discussants and all participants. The thought-provoking questions which had been raised fully justified the work which had gone into preparing Australia's national submission and the Secretariat report.

124. It was true that bindings covered only some 25 per cent of Australia's tariff positions. However, as Ministers had stated, Australia was prepared to negotiate bindings in the Uruguay Round on all areas of its tariff, without exception. This represented a significant departure. The limited extent of bindings resulted from Australia's inability, in the past, to gain meaningful concessions on areas of interest to it, especially in the fields of agricultural and non-agricultural resource-based products. This in turn arose from the type of trade measures being applied in other countries: for example, variable charges could not be bound, and measures covered by GATT waivers had not been negotiable. He hoped that this would change in the Uruguay Round.

125. Australia had chosen to use the tariff as its primary instrument of industrial protection. Some levels were high; where bindings had been affected, Australia had renegotiated its concessions or used Article XIX procedures.

126. While admitting that protection remained relatively high in some areas, including textiles, clothing and footwear, motor vehicles and some areas of agriculture, he noted that protection had already been reduced considerably from even higher levels. By 1992 or 1995, tariffs would be the only remaining means of protection on motor vehicles and textiles, clothing and footwear. Most quantitative restrictions, including tariff quotas, had been abolished; embargoes on imports of sugar and wheat had been ended, import controls on potatoes had been eliminated and restrictions on tobacco were being phased out.

127. The move to protection through tariffs only should also have beneficial effects for trade with developing countries. He recalled that the Australian GSP scheme gave a uniform 5 percentage points reduction in all tariffs, without exception, on goods from all developing countries.

128. Australia had chosen not to join the Government Procurement Agreement because its previous policy was incompatible with certain provisions of the Code. There was a long history of preferences to local suppliers at Federal and State level. The Federal Government had sought to reduce and remove these through the negotiation of the National Preference Agreement which established a uniform preference for Australian suppliers. Further recent changes had removed a major obstacle to membership of the Agreement, which was now under active consideration. With relation to the Standards Code, difficulties had again arisen from the federal system, since most standards were imposed at State level. Australia was working to harmonize its standards. He believed that the Federal government now had the authority and jurisdiction to allow negotiation of membership of the Agreement during the Uruguay Round. In this connection, he recalled that

Australia's federal system was created by the States. Although certain functions had been ceded to the Federal authorities, there was still a very strong "States' rights" system. The Federal government had some legal powers over the States, but in some areas it could act only through moral suasion or through its powers of financial allocation.

129. The new Industries Commission had a very wide charter, comprising the work of the Industries Assistance Commission, the Interstate Commission dealing with transport, and the Business Regulation Review Unit. Its brief included reviewing the operation of statutory marketing authorities, the transport and services sectors as well as the traditional work of the IAC.

130. The representative of Australia said that preferential arrangements with Canada dated from the British Preferential System of the 1930s. They were included in Annex A to Article III of the General Agreement. The complete dismantling of barriers to trade in goods and most services between Australia and New Zealand had opened both countries to trade with the world in general.

131. Local content provisions for goods were not mandatory. If a manufacturer achieved 85 per cent Australian content, he could import the balance of his requirements duty-free, thus reducing the overall rate of protection. Similarly, Australia's policy concerning offsets and "Partnerships for Development" (PFD) conditions was purely voluntary. The PFD programme relieved companies from any offsets obligations in return for undertaking research and development activities in Australia: it was not related to an investment or commercial presence in the country. Concerning local content requirements in broadcasting, he said that general requirements for commercial broadcasting stations were contained in the Broadcasting Act of 1942 and supported by specific provisions administered by the Australian Broadcasting Commission. These required broadcasters to use the services of Australians as far as possible in the production and presentation of programmes, to encourage and promote programmes produced in Australia and to devote at least 5 per cent of music broadcasting time between 6 a.m. and midnight to works by Australian composers. Specific requirements provided for 20 per cent of music to be performed by Australians. New provisions for commercial television to enter into force in 1990 would require a minimum of 35 per cent Australian content, rising to 50 per cent in five years. Minimum levels were provided separately for drama and for children's drama. Advertising must generally be produced in Australia or New Zealand or by Australian crews overseas: up to 20 per cent of content could be foreign if persons or places could not be photographed in Australia or New Zealand.

132. Concerning Customs and anti-dumping procedures, he noted that recent changes had increased transparency, tightened deadlines for investigations, redefined injury criteria and introduced sunset clauses. The practical result should be fewer anti-dumping findings, continuing a declining trend since 1985.

133. Bounties could be compared with tariffs. They were transparent and the costs were visible. All had sunset clauses. OECD figures showed that

the subsidy ratio in Australia's GDI was lower than in most OECD member States.

134. Australia recognised that unduly restrictive health and phyto-sanitary regulations can impede trade. Australia was working with Argentina and others in the Cairns Group on proposals to minimize their effects. It should at the same time be remembered that Australia was an island nation, free from many animal and plant diseases known elsewhere. Australia was following an "acceptable risk" policy consistent with its international obligations. Risk management incorporated biological, economic, and environmental cost factors. Decision making in this area was to become more clearly structured and transparent, as set out in recent policy documents. Inspection of imported foods was geared to public health requirements. Criteria for assessing high, medium and low risk foods were based on the degree of chemical and microbiological contamination. All high-risk consignments would be inspected, a sample of medium-risk goods would be taken, and no new requirements would be necessary for low-risk goods.

135. Ministers were determined that present policies should continue, particularly in the context of the Uruguay Round. In this connection, a major aim of the co-operation in the Asian-Pacific area was to build support for the multilateral system and reduce trade barriers on a non-discriminatory basis.

136. In conclusion, the representative of Australia said that his delegation had found the review exercise, including the preparation of Australia's paper, extremely valuable in focusing attention on the whole spectrum of trade policies. He hoped that others would also find it an equally valuable exercise and looked forward to the Trade Policy Review Mechanism becoming a permanent part of the GATT system.

VIII. CONCLUDING REMARKS BY THE CHAIRMAN

137. Let me preface my concluding remarks on the occasion of this first review in the framework of the new Trade Policy Review Mechanism by emphasizing once again that our aim in conducting these reviews is a collective appreciation and evaluation of the full range of individual contracting parties' trade policies and practices and their impact on the functioning of the multilateral trading system. For Australia, this collective appreciation by the whole Council derives from the questions and observations we have heard today. In these remarks I do not wish to substitute for this appreciation but rather, on my own responsibility, to bring out some of the salient points which have been made.

138. As the Director-General has reminded us, it is not the function of the TPRM to pass judgement on the legal consistency of specific measures with GATT Articles or provisions or to impose new policy commitments on the contracting party under review. The mechanism is also in an experimental phase, and we are all engaged in a collective learning process.

139. The Council reviewed Australia's trade policies in their dynamic context. Many members emphasized that the reports presented by the Government of Australia and by the Secretariat showed that Australia is making a major effort to restructure its trade policies by making them more liberal, predictable and transparent in order to contribute to a general opening up of the economy.

140. A number of members emphasized the importance of the macro-economic context of the changes in Australia's trade policies. It was pointed out that these policy changes are taking place at a time of major structural adjustment problems reflected in high indebtedness and substantial, and recently increasing, current account deficits. The political difficulties of making major trade policy reforms within a parliamentary system were also noted.

141. Many members commented on the general tariff reduction programme, the progressive dismantling of import licences and quantitative import restrictions, the reduction and rationalization of production subsidies (bounties), and the regulatory reforms regarding certain agricultural sectors such as wheat. Some members commended the declining use of, and reforms in, ad hoc import relief measures, particularly in areas such as anti-dumping and countervailing measures. The work of the Industries Assistance Commission in promoting transparency and pioneering techniques of measuring public assistance was appreciated; it was noted that the regular evaluation of Australia's protective system contributed to greater public understanding of, and support for, the liberalization process. The hope was expressed that its successor, the new Industries Commission, will build on this experience.

142. Whilst acknowledging these features, several members referred to a number of areas where concerns still exist. The points frequently mentioned in this context included:

- a relatively uneven pattern of assistance across industries, both in the manufacturing and agricultural sectors;
- a relatively low level of bindings in Australia's tariff structure;
- relatively frequent recourse to anti-dumping measures;
- discretionary elements in customs and valuation procedures;
- lack of transparency with respect to the levels, and impact on trade, of certain forms of assistance in Australia, including subsidies and bounties in certain areas, government procurement, offsets policies, "partnerships for development" policies, certain domestic content requirements, standards, and the systems of quarantine, health and safety requirements, as well as the assistance provided at State and local levels;
- the question of Australia's possible adherence to the Agreements on Government Procurement and on Technical Barriers to Trade;
- the high levels of assistance which various sectoral plans continue to provide to industries such as textiles, clothing and footwear; passenger motor vehicles; telecommunications; and dairying;
- the fact that some sectors with substantial levels of assistance are areas of particular export interest to developing countries;
- the need for trade liberalization to be fully reflected at the levels of State and local governments.

The hope was also expressed that newly created marketing boards in agriculture would function in a transparent manner which would not distort trade.

143. In replying to the points made, the representative of Australia confirmed the intention of the authorities to negotiate bindings of Australia's tariffs without any exception in the Uruguay Round and recognized that the Round may offer possibilities for gaining meaningful concessions from Australia's trading partners, in particular in the area of primary products. The Federal Government had come to recognize the costs involved in Government procurement policies, and the adjustment of Australian regulations in this area and the accession to the GATT Procurement Code was under consideration. Australia was also considering acceding to the Agreement on Technical Barriers to Trade.

144. Turning to areas in which levels of assistance continued to be high, the representative of Australia emphasized that the Australian Government was committed to continuing the process of trade liberalization, including further reductions in trade restrictions. Remaining trade restrictions would be limited to tariffs, even though those tariffs might remain

substantial. Marketing regulations in agriculture were being reviewed with a view to making them more transparent.

145. The process of trade liberalization was supported by regular domestic reviews of Australia's trade policies. The new Industries Commission was to cover an even broader agenda than its predecessor, the Industries Assistance Commission, in enhancing transparency of the costs of protection. On the other hand, the representative of Australia referred to the limited possibilities available to the Federal Government for influencing regulations at the State level, because of the political balance between the Federal and the State Governments.

146. The representative of Australia said that current reforms of anti-dumping procedures should result in fewer anti-dumping measures in the future. Comprehensive reforms were also underway in subsidies and bounties, including the introduction of sunset clauses. He gave additional detail with respect to local content requirements, in particular with respect to new broadcasting regulations. Finally, he drew attention to the fact that Australia's quantitative restrictions had been largely phased out. In the area of non-tariff measures, progress was hoped for in the negotiations in the Uruguay Round.

147. In general, many members of the Council considered that the discussion had made an important contribution to the transparency of Australia's trade policies. There was general appreciation of Australia's current programme of trade liberalization and the ongoing evolution of Australia's trade policies, which were seen as going a long way towards reversing the earlier approach of promoting the development of import-substituting industries through high protection. However, it was noted that, in a number of areas, high levels of assistance would persist even after the end of the present programme of liberalization. Members therefore considered it important that the process of liberalization was sustained and continued beyond the completion of the current programme.