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**AUSTRALIA PRESSES AHEAD WITH AMBITIOUS
PROGRAMME OF ECONOMIC REFORM**

**"Multilateral liberalization in the wake of the Uruguay Round will
enhance the effectiveness of reforms" - says GATT**

"Since its first Trade Policy Review in 1989, Australia has pressed ahead with its far-reaching, ambitious programme of economic reform," says the GATT Secretariat's second report on Australia's trade policies and practices. Tariffs have come down and are being reduced further under an agenda up to the year 2000; subsidies are being cut; and deregulation and privatization are injecting competition into many formerly shielded areas of goods and services.

"While Australia is consolidating many of its trade reforms through binding commitments and acceptance of new Uruguay Round disciplines," continues the report, "the spur for trade and domestic reform has been essentially autonomous and independent of the multilateral process. With a legacy of distortive import replacement policies in manufacturing, Australia sees trade and internal liberalization as complementary tools to improve the sectoral balance of the economy, increase multi-factor productivity and, thus, promote international competitiveness."

The report, however, also points out that Australia's tariff still displays escalation. In March 1993, the unweighted tariff average was 1.7 per cent for manufactures at the first stage of processing, but 12.3 per cent for fully processed products. "Effective tariff assistance for downstream products thus tends to be higher than nominal rates suggest. Escalation is amplified by tariff concessions on raw materials, intermediate inputs or capital goods. The continuing tariff reductions will reduce such effects in the near future, with the possible exceptions of the passenger motor vehicles and textiles, clothing and footwear industries."

Australia remains one of the strongest supporters of the GATT multilateral trading system. Its participation in such regional bodies as APEC is seen as strictly complementary to the global liberalization of farm, mineral and industrial trade and the reinforcement of multilateral rules. "At the same time," the report emphasizes, "Australian policies since the mid-1980s have shown that unilateral trade liberalization is possible and that governments need not wait for multilateral action to rid their economies of barriers. Policies have remained on course even though recession and macroeconomic constraints have so far prevented liberalization from translating visibly into employment and economic expansion."

The report maintains that Australia's liberalization agenda is reinforced by institutional arrangements, including regular, independent review of all major government programmes. "Public awareness of the economic costs of protection has created a political climate conducive to change. This has also benefitted from, and contributed to, intensified cooperation between Commonwealth and State governments, and better labour/business relations."

Recognizing that policy-makers continue to face the challenge of significant current account deficits and increasing foreign debt, the report cautions that the macroeconomic disciplines necessary to limit these constraints could fuel demands for trade-related therapies, such as more aggressive use of anti-dumping remedies in "sunset" industries or additional initiatives to boost designated "strategic" sectors. In this context, the report draws attention to government/industry agreements or incentive arrangements on local content, R and D and exports in information technology and pharmaceuticals industries. The Secretariat stresses the risk that such policies "would not only contradict the rationale behind the trade liberalization agenda, but also neglect Australia's own negative experience with protection in traditional segments of manufacturing."

However, referring to the renewed tariff reduction programme, combined with deregulation, the Secretariat is confident that the authorities remain committed "not to tinker with symptoms but to address the root of the problem by enhancing productivity and competitiveness. Credible multilateral liberalization in the wake of the Uruguay Round will enhance the effectiveness of reforms and help forestall possible slippages or reversals."

Notes to Editors

1. The GATT Secretariat's report, together with a report prepared by the Australian Government, will be discussed by the GATT Council on 3-4 February 1994. This is the second review of Australia since the launching of the Trade Policy Review Mechanism (TPRM) in December 1989. The TPRM enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals, to monitor significant trends and developments that may have an impact on the global trading system.
2. The two reports, together with a record of the Council's discussion and of the Chairman's summing up, will be published in 1994 as the complete trade policy review of Australia and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.
3. The reports cover developments in all aspects of Australia's trade policies, including domestic laws and regulations, the institutional framework, trade-related developments in the monetary and financial sphere, trade practices by measure and trade policies by sector. Attached are

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the summary extracts from these reports. Full reports will be available for journalists from the GATT Secretariat on request.

4. Since December 1989, the following reviews have been completed:
Argentina (1992), Australia (1989), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Canada (1990 and 1992), Chile (1991), Colombia (1990), Egypt (1992), the European Communities (1991 and 1993), Finland (1992), Ghana (1992), Hong Kong (1990), Hungary (1991), India (1993), Indonesia (1991), Japan (1990 and 1992), Kenya (1993), Korea, Rep. of (1992), Malaysia (1993), Mexico (1993), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992), South Africa (1993), Sweden (1990), Switzerland (1991), Thailand (1991), Turkey (1994), the United States (1989 and 1992), and Uruguay (1992).

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TRADE POLICY REVIEW MECHANISM

AUSTRALIA

Report by the Secretariat - Summary Observations

Since its first Trade Policy Review in 1989, Australia has pressed ahead with its far-reaching, ambitious programme of economic reform. Tariffs have come down and are being reduced further under a predetermined agenda up to the year 2000; subsidies are being cut; and deregulation and privatization are injecting competition into many formerly shielded areas of goods and services. While Australia is consolidating many of its trade reforms through binding commitments and acceptance of new Uruguay Round disciplines, the spur for trade and domestic reform has been, throughout, essentially autonomous and independent of the multilateral negotiation process. With a legacy of distortive import replacement policies in manufacturing, Australia sees trade and internal liberalization as complementary tools to improve the sectoral balance of the economy, increase multi-factor productivity and, thus, promote international competitiveness.

The Economic Environment

Since 1989, the Australian economy has come through a recession, ushered in large part by monetary measures taken to correct earlier overheating. In 1990-91, private investment contracted, real GDP shrank and unemployment rose. A sluggish recovery proved insufficient to prevent unemployment from rising further, to 11 per cent in 1992. Inflation is currently around 1 per cent. Net exports and business investment are now, however, expected to pick up, and growth in 1993-94 may exceed the 2.7 per cent recorded for 1992-93.

The speed of recovery has been influenced by the prudent financial policies adopted in the recession; fiscal policy has, rather than seeking to stimulate the economy, aimed to support longer-term budgetary balance, in order to help narrow Australia's national savings-investment gap. Further, the economy has continued to suffer from the lingering effects of a speculative investment boom in the late 1980s, which led to a large capacity overhang in real estate and equipment, as well as from the adverse impact on export demand of a faltering world economy and a secular decline in the terms of trade.

With a structural savings-investment gap, Australia records a persistent current account deficit. As a result, the external debt -much of it on private account - has risen to some 55 per cent of GDP. To ease the external constraint, the authorities look to improving productivity growth, which has long been trailing other OECD countries. In consequence, successive Governments have promoted regulatory changes in basic infrastructural services, remove administrative shackles and remedy distortions in the incentive system.

Trade liberalization has been central to Australia's reform process. In 1991, even though the economy was still in difficulty and the current account weak, a new liberalization package was launched which is projected to reduce the average effective rate of assistance from 11 per cent now to 5 per cent by 2000.

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Institutional Framework

The scope of Australia's structural reform programme extends to areas within state and territorial competence, including standards, procurement policies and marketing board practices, where uncoordinated policies in the past have resulted in obstacles to internal trade. In this connection, a recently concluded Commonwealth/State Agreement on Mutual Recognition, akin to the European Communities' Internal Market programme, seeks to ensure that goods legally put into circulation in any part of Australia can be sold freely throughout the country, irrespective of their origin. Uniform national standards are being developed in areas where essential health and safety considerations come into play, except when a national market is not considered appropriate, for example, under genuine quarantine requirements.

Many agricultural marketing boards have recently been restructured, with their responsibilities reduced in scope and coverage, in order to promote commercial efficiency. Restrictive supply and purchase arrangements and state quota régimes have been trimmed. Exclusive purchase arrangements continue, however, in areas such as wheat, eggs and sugar in Queensland, oilseeds in New South Wales, and ware potatoes in Western Australia.

Internal harmonization has not always been equally beneficial to domestic and foreign suppliers. While the 1991 Agreement on Government Procurement prohibits its signatories, the Commonwealth, the Australian States and Territories and New Zealand, from discriminating among each other, it specifies preferential margins to be applied by certain States and Territories on the Australian and New Zealand content of the goods procured and related services.

The Commonwealth Constitution generally bans the granting of production and export subsidies by the States and Territories. This ban may, in principle, be bypassed via alternative forms of assistance at state level, such as investment grants or concessions on payroll taxes; no common rules, notification or transparency provisions exist in this area. However, disciplining factors include the operation of Commonwealth/State tax collection and disbursement mechanisms, public aversion to expensive subsidy schemes, and shortage of funds.

Trade Policy Features and Trends

Evolution since the initial review

Australia's trade-related policies have continued the market-oriented course of the past ten or, in most sectors, fifteen years, by pursuing tariff and subsidy cuts, abolition of tariff quotas, privatization and deregulation. Australia has thus broken with a long tradition of broad-based protective policies for manufacturing and service industries.

The tariff reduction programme for 1988-1992 brought down most tariffs to ceilings of 10 or 15 per cent, with exceptions mainly for passenger motor vehicles (PMV) and textiles, clothing and footwear products (TCF). The overall unweighted tariff average fell by about one-third to around 12 per cent by March 1992; currently, close to 50 per cent of all imports enter the Australian market free of duty and an additional 20 per cent qualifies for free entry under an extensive system of tariff concessions for specified industries or purposes.

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A new tariff reduction programme, initiated in March 1991, provides for further cuts, subject to the same sectoral exceptions, to 5 per cent or zero by 1996. Tariffs on clothing and certain finished textiles are scheduled to come down from their current level of 47 per cent to 25 per cent by 2000. Tariffs on all other textile and footwear products and on passenger motor vehicles, at present in the order of 30 per cent and above, are to reach 15 per cent in the same period. The unweighted tariff average is projected to fall to under 5 per cent by 2000.

The detailed multi-annual schedule on which the reforms are based have added to their credibility and allowed for preemptive business adjustments. However, partly in reaction to the perceived unsatisfactory outcome of previous GATT Rounds, Australia has long abstained from locking in achieved levels of tariff liberalization by extending the scope of its GATT bindings; in 1993, no more than 20 per cent of its tariff lines were bound. With the implementation of the Uruguay Round results, however, bindings will increase to some 94 per cent, a level comparable with other developed countries.

Preferential margins under the Australian System of Tariff Preferences for Developing Countries (ASTP) are falling for specified products and beneficiaries as m.f.n. duties are cut. Mostly affected are TCF items, chemicals, sugar, and fruit and vegetable preparations, as well as all imports from Chinese Taipei, Hong Kong, the Republic of Korea and Singapore. The relevant ASTP rates remain stable while the general tariff comes down to their level.

Tariff reductions are complemented by the phasing-down of most Commonwealth production subsidies (bounties) and by continued regulatory reforms. These include strengthening of competition policy with a view to closing sector- or product-related loopholes which, for example, currently provide cover for restrictive practices by marketing boards.

Export duties on coal have been abolished. An export tax on uranium concentrate and controls on exports of various other products remain for strategic, cultural or environmental reasons. In certain areas, including woodchips and unprocessed wood, these controls seem to substitute for production-related restrictions, such as taxes or quotas, affecting domestic use and exports alike.

Directly export-related support elements have recently been removed from the "factor f" scheme in the pharmaceuticals industry. The scheme, intended to offset the adverse impact of tight price controls on industrial innovation, investment, and research and development, continues, however, to be one of the most generously endowed support programmes for individual manufacturing sectors.

Type and incidence of trade policy instruments

Import protection in Australia relies on tariffs rather than quantitative restrictions or other non-tariff measures. Today, only cheese imports are subject to a tariff quota.

Despite the ongoing reduction programme, Australia's tariff still displays considerable escalation. In March 1993, the unweighted tariff average was 1.7 per cent for manufactures at the first stage of processing, but 12.3 per cent for fully processed products. Effective tariff assistance for downstream products thus tends to be higher than nominal rates suggest. Escalation is amplified by tariff concessions on raw materials, intermediate inputs or capital goods. The continuing tariff reductions will reduce such effects in the near future, with the possible exceptions of the TCF and PMV industries.

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Australia's quarantine regulations restrict imports of a wide range of farm products, including fresh fruit and vegetables and seeds of major field crops. Any deliveries, for example for scientific purposes, are subject to ministerial approval. In addition, local content schemes on fruit juice and tobacco products continue to shield domestic producers of inputs from import competition.

Export and import-replacement incentives, in varying forms, play important rôles in certain manufacturing industries. PMV and TCF companies may benefit from duty reductions contingent on the value-added exported. In information technology, the Partnerships for Development Program draws a non-mandatory link, according to the authorities, between a company's compliance with export and R&D targets and procurement by Australia's three licensed telecommunication carriers. The three carriers have also subscribed to buy-Australia and other business targets under industry development plans agreed as part of the licensing process. Suppliers of customer premises equipment, including standard and cellular mobile telephones, must maintain certain export, local content and R&D levels to have their products approved for connection to the network.

Explicit export subsidies, funded through producer levies, are granted on manufactured dairy products. The current rate is estimated at less than 15 per cent.

Temporary measures

Australia, once a frequent user of GATT Article XIX, has not taken any such action since mid-1989. By contrast, the number of anti-dumping measures, which had decreased for several years, picked up significantly in 1991-92, when Australia accounted for close to one-third of all initiations under the GATT Anti-Dumping Code. More recent figures, however, point to a decline in such actions.

Australia's anti-dumping and countervailing legislation has undergone nine changes since 1988, resulting mainly from the creation of the Anti-Dumping Authority (ADA) in 1988 and a general review in 1991. While the changes have added significantly to the complexity of procedures, with potentially adverse effects in particular on small companies and newcomers, they provided important procedural safeguards and transparency requirements.

For example, all aspects of a case are investigated by two mutually independent bodies, Customs and the ADA. Tight procedural time limits apply. The period between Customs' receipt of an application and its preliminary finding on dumping and injury is limited to 125 days; and the Anti-Dumping Authority is required to carry out the final investigation within an additional 120 days. All actions are subject to a five-year sunset clause. In June 1993, Australia's longest-standing measures dated from October 1990.

Contrary to some other preferential schemes, the ASTP is free of safeguard provisions, quotas or ceilings. This is despite its current wide coverage which extends across the full product range. At present, more than three-fifths of Australia's imports of cotton, tobacco, man-made filaments, photographic goods and man-made staple fibres enter under preferential rates.

Australia's current participation in voluntary restraint arrangements is limited to two cases involving the United States and the European Communities. The restraints have been accepted by the authorities with a view to ensuring certain access benefits for Australian meat supplies. The GATT

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Secretariat is not aware of any restraints instigated by the Australian Government with a view to containing import pressure.

Sectoral policy patterns

Australia's liberalization programme aims to establish a more neutral incentive structure, with lower disparities in support among sectors. The expected shifts of capital, labour and expertise towards sectors of greater comparative advantage is, together with efficiency-enhancing reforms in the public sector and privatization, designed to push the economy to a higher, more sustainable growth path.

Estimates of the effective rate of assistance (ERA) suggest that support to manufacturing has fallen since the late 1980s from some 15 to 11 per cent at present, close to the level prevailing in agriculture. ERAs are projected to come down to some 5 per cent by 2000.

The reform agenda reflected growing discontent at the lack of industrial resilience in highly protected segments of manufacturing. These sectors have proved a drag on more competitive producers, particularly in agriculture and mining, many of which also suffer from protectionist policies abroad, highly subsidized export competition and a secular decline in the terms of trade.

Social and regional objectives have not been a pretext for significant sectoral exceptions to the Government's reform programme. Adjustment is complemented and facilitated through such measures as improved information and counselling services for small enterprises. Companies in previously protected areas such as steel, civil aircraft and shipbuilding have apparently learned to survive without intensive public support and develop market niches in international competition.

The reform programme will not, however, fully eliminate intra-sectoral disparities in support. Australia's long legacy of generous protection for "strongholds" in manufacturing, in particular the TCF and PMV industries, will linger for some time. For example, in 2000, the effective rates of assistance for clothing and motor vehicle producers are projected to exceed the manufacturing average by factors of more than six and close to four, respectively.

Recent supports for "strategic" industries, mainly information technologies and pharmaceuticals, are not captured by the ERA estimates. Such initiatives take the form mainly of Government/industry agreements on firm-specific targets such as local content, R&D and exports. While the agreements provide a basis for discussions on business developments and strategies, their economic impact is difficult to assess.

Trade Policies and Foreign Trading Partners

Australia's involvement in regional trade initiatives remains limited, principally for geographical and political reasons, including the authorities' confidence in multilaterally agreed trade rules and disciplines. Over 70 per cent of its imports are from purely m.f.n. sources, and imports under free trade agreements represent no more than 5 per cent of the total.

Australia remains one of the strongest supporters of the multilateral trading system as embodied in the GATT. Its participation in such regional bodies as APEC is seen as strictly complementary to the global liberalization of farm, mineral and industrial trade and the reinforcement of multilateral rules.

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At the same time, Australian policies since the mid-1980s have shown that unilateral trade liberalization is possible and that Governments need not wait for multilateral action to rid their economies of barriers. Policies have remained on course even though recession and macroeconomic constraints have so far prevented liberalization from translating visibly into employment and economic expansion. Recent improvements in Australia's export performance in some of the most dynamic markets in the Pacific region may, however, hold out promise for the future.

Australia's external economic links have intensified since the mid-1980s. Traditional trade and industry patterns based on open, export-oriented primary sectors and shielded, inward-looking manufacturing industries appear to be on the wane. Manufactures have expanded their share in the export basket, though from low levels, and intra-industry trade, except with Japan, is gaining in importance. Australian exports to Japan are still made up predominantly of energy products, meat and ores, while imports focus on manufactures, in particular cars and components.

Australia's liberalization agenda appears to be reinforced by institutional arrangements, including regular, independent review of all major government programmes. Public awareness of the economic costs of protection has created a political climate conducive to change; this has also benefitted from, and contributed to, intensified co-operation between Commonwealth and State governments, and better labour/business relations.

Policy makers continue to face the challenge of significant current account deficits and increasing foreign debt. The macro-economic disciplines necessary to limit these constraints could fuel demands for trade-related therapies, such as more aggressive use of anti-dumping remedies in "sunset" industries or additional initiatives to boost designated "strategic" sectors. Any such approach would, however, not only contradict the rationale behind the trade liberalization agenda, but neglect Australia's own negative experience with protection in traditional segments of manufacturing. The renewed tariff reduction programme, combined with deregulation, appear to prove the authorities' resolve not to tinker with symptoms but to address the root of the problem by enhancing productivity and competitiveness. Credible multilateral liberalization in the wake of the Uruguay Round will enhance the effectiveness of reforms and help forestall possible slippages or reversals.

TRADE POLICY REVIEW MECHANISM

AUSTRALIA

Report by the Government - Summary Extracts

The Australian Government's approach to securing Australia's trading future is built on four pillars. These are its strong program of domestic economic reform, its commitment to an open multilateral trading system, its efforts to further link Australia with the rapidly growing Asia-Pacific region, and strong bilateral efforts to expand Australia's trade and investment links with other countries.

Australia is a medium-sized economy ranking ninth among OECD countries in terms of GDP in 1992. Trade in goods and services accounts for 38 per cent of GDP, with exports amounting to 19 per cent of GDP. On an industry basis, manufacturing dominates Australia's goods and services exports accounting for 50 per cent of total exports, with mining accounting for 21.2 per cent, services 19.9 per cent and agriculture 8.1 per cent. However, Australia's traditional reliance on its agricultural and mineral sector remains, with a large proportion of its manufactured exports being simple transformations of these raw materials. Australia's services sector is comparable in size to that of other advanced economies. It is the largest contributor to Australian national production, accounting for around two thirds of GDP and employs approximately 80 per cent of the workforce.

Historically, Australia's export earnings depended on international commodity markets. The prices of primary products (especially agricultural products) showed a long term downward trend, and the volumes of commodities Australia sold and the prices received exhibited very wide fluctuations linked to the international business cycle.

Australia has little influence over prices in most markets in which it trades. It also has little influence over the protectionist and discriminatory trade policies of other countries. Australia's terms of trade therefore tend to be volatile, and Australia must ensure that its domestic policy settings provide an environment that allows the domestic economy to adjust to external economic conditions.

Past dependence on agricultural and mineral products for the major part of Australia's export income reflected its comparative advantage in the production of these commodities. The competitiveness of other sectors of the economy was previously heavily influenced by the existence of protective barriers and industry regulation, which reduced the incentive for industries to improve their efficiency and adjust to changing economic circumstances. There has also been an increased awareness that the provision of assistance to one industry imposes costs on other industries that can affect their ability to compete in the international market place.

Australia as a trading nation in 1993 is vastly different from Australia as a trading nation ten years ago. Australia's trade policy is no longer characterised by heavy reliance upon supplying primary products to world markets. The demands of the international trade environment have changed. The Government has taken significant steps to establish Australia as a reliable and competitive supplier of globally demanded goods and services.

Since 1983, the Australian Government has addressed the rigidities in the Australian economy through the introduction of wide-ranging structural reforms. In particular, the increased internationalisation of the economy and the removal of domestic regulation have enhanced the efficiency

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and responsiveness of the economy and created more internationally competitive and dynamic industries. The Government has enhanced this process by close co-operation with unions and business.

A highlight in the restructuring has been the introduction of far-reaching reforms in industry policy, the aim of which has been to move progressively toward a lower, more neutral, and more transparent industry assistance regime. Industry policy has shifted from an essentially defensive orientation, based on border protection, to an outward looking approach. The reforms have continued at a time when the Australian economy has been going through a slow period of growth. However, in spite of pressure from some sectoral interests, the Government is continuing the process of structural change.

The following are the key elements of this reform program in recent years:

- floating of the Australian dollar and deregulation of the financial system, including the removal of exchange controls in 1983;
- a unilateral phased reduction in tariffs, which commenced in 1988 and which will continue until the year 2000. The average nominal rate of assistance for the manufacturing sector has fallen from 12 per cent in 1986/87, to 8 percent in 1991/92. Nominal assistance is currently 7 per cent and is projected to fall to 3 per cent in the year 2000;
- the tariff quotas that applied to imports of textiles, clothing and footwear (TCF), the last remaining tariff quota restrictions in the manufacturing sector, were eliminated with effect from 1 March 1993. In addition, tariffs on TCF products are being substantially reduced and, unlike many other countries, no quota or voluntary restraint agreements apply to imports of these goods into Australia;
- new policy programs have been introduced in the wool, dairy, coal, mining and natural gas industries aimed at decreasing government regulation and, in the case of wool and dairy, decreasing assistance;
- reforms have been introduced in the transport and communications sectors, including corporatisation and commercialisation of government business enterprises, liberalisation of restraints on competition, development of more efficient work practices, and simplification and harmonisation of regulations;
- civil offsets were eliminated in 1992;
- a range of programs has been introduced which are designed to overcome market failures or to facilitate restructuring, placing emphasis on research and development and innovation, export market development, quality management, design and networking, and human resource management at the company level; and
- an industrial relations Accord between the Government and the trade union movement has been a significant factor in reducing inflation to one of the lowest rates among industrial countries, enhancing Australia's competitiveness.

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The tariff remains Australia's principal industry assistance measure, although its significance is declining rapidly. Australia does not use non-tariff border measures to assist industry.

Australia became a signatory to the GATT Standards Code in March 1992.

Australia's export system encourages unrestricted export of Australian products. The majority of Australia's exports receive no direct assistance, and are not subject to government imposed controls. Export controls that apply in a limited number of special cases have recently been liberalised.

Industry policy is directed at achieving international best practice in Australian industry through improvements in efficiency, productivity and quality across all sectors, including infrastructure services provided by the public sector. An important element of industry policy is the tariff reduction program which has helped increase the international competitiveness of Australian industry.

There are a number of export promotion and trade facilitation schemes. Relative to the overall value of Australian exports these schemes are small.

Given the importance of the GATT multilateral trading system to Australia, the Government's single most important trade policy objective has been the successful conclusion to the Uruguay Round negotiations. A major longer term priority is the further integration of Australia into the Asia Pacific region. Through the Asia-Pacific Economic Co-operation (APEC) process, Australia is working to strengthen economic co-operation in the region and to contribute to an environment that encourages regional growth. Trade liberalisation on a non-discriminatory basis will be a vital component of this process of open regionalism. The Government complements its multilateral and regional trade efforts through actively pursuing a rigorous non-discriminatory bilateral trade strategy, which is particularly important given the diversity of barriers which Australia faces in overseas markets.

OBJECTIVES OF TRADE POLICIES

The persuasive force behind the formulation of Australian trade policy objectives, and of economic policy generally, continues to be the need to foster the development of an internationally competitive and outward-looking economy.

Australia has made substantial progress towards these objectives since the last TPRM review in 1989. The domestic environment for trade improved appreciably over this period through improvements to macroeconomic settings and a vigorous program of economic reform. Trade in goods and services increased in the last decade (from 31 to 38 per cent of GDP). Exports of merchandise reached record levels in 1991/92 due to rapidly rising export volumes, partially offset by falling export prices. Overall, Australian manufactured exports grew faster than any OECD country in 1990 and 1991, and was well above the OECD average in 1992. Import penetration has also grown significantly reflecting the fact that the Australian economy has become increasingly open.

The broadening of Australia's export base has been a significant development in recent years. Manufactured exports continue to rise faster than primary product exports in nominal and real terms. This signifies a substantial diversification from the primary commodities that have traditionally been the mainstay of Australia's exports.

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Australia continues to place major emphasis on creating an external environment conducive to exports through multilateral, bilateral and regional policies aimed at removing obstacles to trade and investment.

As a middle economic power, with limited influence and a range of overseas markets, Australia's pre-eminent interest lies in its efforts to strengthen the multilateral trading system.

Australia's continuing efforts in the Uruguay Round highlight active support for these interests, backed by active participation in other international forums, such as the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Food and Agriculture Organisation (FAO), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD) and the Customs Co-operation Council (CCC).

Australia supports the multilateral trading system. Australia's main objectives are to promote transparency, to seek disciplines to free the international trading system of non-tariff trade-distorting measures, to negotiate further substantial reductions in tariffs and to support coverage extending to trade in services.

Australia's multilateral, bilateral and regional arrangements are transparent and aim at complementing and contributing to the achievement of a more liberal trading system. At the bilateral level, Australia is pursuing policies and activities aimed at removing specific barriers to trade and promoting expansion and diversification of trade and investment linkages.

Regionally, Australia is also encouraging non-discriminatory trade liberalisation, consistent with the GATT, within the Asia Pacific Economic Co-operation (APEC) process, and in discussion with the Association of South East Asian Nations (ASEAN) and the South Pacific Forum.

Domestically, trade and industry policies aim at achieving a lower and more neutral assistance regime, exposing hitherto sheltered industries to competitive pressure, creating an atmosphere that encourages investment in competitive industries, and reducing distortions that discriminate against more efficient activities. Complementary policies have the objectives of removing domestic impediments to trade, including in industries that provide inputs to tradeable goods and services, and rationalising trade promotion and facilitation schemes.

The Australian Government gives high priority to improving trade performance in all sectors of the economy by removing domestic impediments to improved competitiveness. Australia, for all practical purposes, is a single integrated market, increasingly exposed to domestic and international competition.

A Committee of Inquiry into a national Competition Policy was established in October 1992 by the Prime Minister following agreement by all Australian governments on the need for a national policy and its basic principles. The Committee presented its report in August 1993. The government is to decide on how it will respond to the report.

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