

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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TRADE POLICY REVIEW MECHANISM

AUSTRALIA

MINUTES OF MEETING

Chairman: Dr. M.M. Zahran (Egypt)

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. The Chairman introduced the review, welcomed the Australian delegation headed by Mr. Peter Grey, the discussants, Amb. Hassan Kartadjoemena of Indonesia and Mr. Mitoji Yabunaka of Japan, and members of the Council.

2. The Chairman noted that this was the second Trade Policy Review of Australia. In December 1989, Australia had been the very first country to be reviewed under the TPR Mechanism. He recalled that the purpose of the Mechanism was "to 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" (BISD 36S/403).

3. According to the Decision taken on 12 April 1989, the Council was to base its work on two reports. The report by the Government of Australia was contained in document C/RM/G/43 and the report by the Secretariat, drawn up on its own responsibility, in document C/RM/S/43. Outlines of the main issues the discussants intended to address had been circulated in document C/RM/W/14. Copies of written questions submitted by the delegations of the European Communities and Canada were available.

4. The Chairman then offered the floor to the representative of Australia.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF AUSTRALIA

5. The representative of Australia noted that his country's review came shortly after the conclusion of the Uruguay Round when all participants were asked to make renewed, extended and deeper commitments to the multilateral trading system. It was therefore important that the Trade Policy Mechanism continued to promote transparency. He felt that the Secretariat report gave an accurate and very positive assessment of Australian trade policy, recognizing considerable unilateral achievements. However, there were a number of areas where the Government's perception of issues was different. He expected that these differences could be clarified in the debate.

6. Australian trade policy, and economic policy generally, continued to be geared to fostering the development of an internationally competitive and outward-looking economy. Since the last TPRM in 1989, Australia had continuously worked towards this objective. This was despite the recent recession, which had put pressure on the Government to slow down, or even reverse, the fundamental reforms underway since 1983. However, the Government had continued to press ahead with its reform agenda.

7. Australia aimed to achieve sustainable growth in a low inflation environment. Recent signs were positive. While the Australian economy had expanded at a moderate pace since the 1990-91 recession, and inflation had fallen below the OECD average, the latest figures indicated that the recovery was broadly-based and had markedly strengthened. In the view of many commentators, the Australian economy had entered 1994 in the strongest position in decades: the Government's forecast of growth of 2.5 per cent for 1993-94 required upward revision to 3.5 per cent; inflation was its lowest ever in thirty years; employment growth had accelerated; consumer sentiment and business confidence had risen to a five-year high; and exports were growing significantly faster, at 7 per cent in volume terms, than in the Government's budget forecast.

8. The process of policy reform since Australia's first review in 1989 had essentially relied on the further reduction of trade restrictions and major modifications to other policies with an impact on trade and domestic resource allocation. Highlights included:

- (i) the decision in 1991 to implement unilaterally a further major programme of tariff reductions, which would bring down the trade-weighted average tariff to 2.2 per cent by the end of the decade;
- (ii) the progressive reduction of production-related bounties in line with the phased tariff cuts;
- (iii) the unilateral removal of tariff quotas on all textile, clothing and footwear products, on motor vehicles and, as a result of the Uruguay Round, the tariffication of the only remaining tariff quota on certain cheeses;
- (iv) Australia's non-initiation of voluntary restraint arrangements or other restrictive trade measures;
- (v) the abstention from of Article XIX actions;
- (vi) the elimination of civil offset requirements;

- (vii) the revision of Australia's quarantine policy, which now relied on scientific analysis of the risks involved and, thus, already complied with the Uruguay Round Agreement on Sanitary and Phytosanitary Measures (SPS);
- (viii) significant decreases in government regulation and assistance for the coal mining, natural gas, dairy and wool industries, including the removal of an export duty on coal in 1992; phased reduction of the market support payments for dairy producers over the next six years; restructuring of many agricultural marketing boards to improve commercial efficiency; the abolition of a reserve price scheme and the introduction of new marketing arrangements for wool in 1991; and the announcement of further major restructuring of the wool industry in 1993;
- (ix) major regulatory changes in wheat marketing arrangements, away from price-related schemes, and the extension of the Australian Wheat Board's functions to make it independent of government support by 1999;
- (x) an Agreement on Standards, Accreditation and Quality between the Commonwealth of Australia, New Zealand and the Australian States and Territories with the aim of avoiding standards-related inconsistencies and aligning domestic standards with international norms, complemented by a Commonwealth/State Agreement on Mutual Recognition, which established a mechanism to achieve uniform standards throughout Australia and, thus, underpinned Australia's accession to the GATT Standards Code in 1992;
- (xi) the continuation of a programme of micro-economic reforms to improve productivity, generate greater competition, and increase the efficiency of infrastructure through such measures as corporatization, commercialization and privatization of government business enterprises, and labour market reform;
- (xii) tax reforms to improve economic efficiency and competitiveness and promote investment;
- (xiii) measures to encourage greater private research and development as a central focus of industry policy;
- (xiv) the announcement of further financial and investment reforms in 1992, continuing a trend towards relaxing investment and takeover thresholds and Australian equity requirements for property acquisitions, and further opening of the financial sector to foreign banks;
- (xv) increased policy focus on facilitating the creation of world-class firms, for example by encouraging top-level management practices and benchmarking;
- (xvi) development of small- and medium-sized firms by promoting competitiveness and encouraging networking;
- (xvii) the continuation of the consensual approach to industrial relations and, as a priority issue in the reform agenda, increased emphasis on decentralized wage-fixing with the aim of strengthening the linkage between wages and productivity, flexibility and efficiency in the workplace.

9. This agenda had contributed to a significant improvement of Australia's trade structure. Exports now accounted for around 19 per cent of GDP, up from 15 per cent 10 years ago, and the product range had broadened considerably. Exports of elaborately transformed manufactures had grown at an annual rate of 12.3 per cent since the 1989 Australian Trade Policy Review. An integral part had been the growth of trade and investment links with the dynamic Asian economies, which currently took nearly 60 per cent of Australia's exports.

10. A strong multilateral trading system was central to Australia's interests. Australia welcomed the conclusion of the Uruguay Round as a major contribution to further liberalization of world trade and global growth. The progress in finally bringing agriculture under GATT rules was particularly welcome.

11. Australia's bilateral and regional trade policies were geared to complementing the multilateral approach and, thus, achieving a more liberal trading system. In this context, a major priority was the development of the Asian Pacific Economic Co-operation Forum (APEC) in a way that promoted trade liberalization in a GATT-consistent manner. Bilateral and regional objectives were pursued on a non-discriminatory basis, and implied no lessening of the importance that Australia attached to the GATT, and particularly, its m.f.n. principle.

12. The representative looked forward to the Council discussion of Australia's trade and industry policies. Such discussions were a matter of course within Australia, which had had an independent advisory body for many years, now called the Industry Commission. Its aim was to ensure open, public debate on industry and trade policy formulation. The fundamental shift in Australian community attitudes towards trade policy and protection could not have been achieved without such continuous domestic debate, similar to the Trade Policy Reviews. This explained the importance Australia attached to the TPR Mechanism, which it trusted would continue to play an important rôle, safeguarding and reinforcing the positive results of the Uruguay Round.

III. STATEMENT BY THE FIRST DISCUSSANT

13. The first discussant (Amb. H.S. Kartadjoemena) reflected on his experience with the Trade Policy Review Mechanism since its inception in 1989. It had not only provided an opportunity to assess trade policies of individual countries but also to place these in an overall context and to discuss the longer-term implications of broader economic policies on international trade.

14. During the Uruguay Round, trade policies had been reviewed in the light of the negotiations, which were at centre stage. This had somewhat deprived the reviews of their proper setting. Today, reviews could be undertaken on their own merit and it was also possible to deal with broader economic issues that affected a country's overall trade performance and, by implication, the expansion of world trade. The Trade Policy Review Mechanism had thus become a forum where the question of world economic management could be addressed by dealing with macroeconomic policy issues as they affected trade.

15. The reports by the Australian Government and the Secretariat showed that, on the whole, Australia's policy reforms could be regarded as positive in the long run, both from a domestic and international perspective. The reports highlighted the need to devise broad macroeconomic policies that helped to achieve non-inflationary growth and, at the same time, contributed to the development of an open, multilateral trading system.

16. For the world trading system to thrive, both reforms and continuities were needed. Continuity of efforts could only be assured if the positive external effects of domestic reforms were recognized. The international community could not afford to dismiss such effects and their contribution to strengthening the multilateral system.

17. As the Government's report stated, the policy focus had been on strong domestic reform; steps in support of the open multilateral system; developing links to the dynamic economies of the Asia-Pacific area; and continued strong bilateral efforts to expand trade and investment. Domestic reform, a politically-painful process in the short run, was central to Australia's endeavours to promote structural adjustment, improve efficiency across the board, and encourage greater international openness and economic integration. At the same time, the Government had faced the immediate task of fighting recession.

18. The discussant noted that although there was a temptation during recession to concentrate on short-term problems, possibly leading to trade restrictions and relaxation of budget discipline, Australia's policy had steadfastly been directed at the more fundamental need to maintain macroeconomic balance and eliminate distortions that tended to undermine competitiveness. The Government had met the challenge of recession by addressing economic fundamentals, and this needed to be praised as a positive contribution to the international system:

- (i) Fiscal policy had allowed automatic stabilizers and discretionary disbursements to buoy a relatively weak economy, but kept the budget deficit in check. With a view to unwinding the fiscal stimulus, the Government aimed at a Commonwealth budget deficit in the order of 1 per cent of GDP by 1996-97, compared with 3.8 per cent in 1993-94.
- (ii) Monetary policy had been geared to achieving low inflation and inflationary expectations. The inflation rate had fallen from 7.5 per cent in 1989 to less than 2 per cent at present. However, a recent significant increase in the money supply,

intended to support the recovery process, might call for a tighter stance in the near future.

- (iii) Wages and productivity had originally threatened to impair both the recovery process and longer-term growth. In 1988-89, unit labour cost had increased by 8.3 per cent. Given existing labour market rigidities, the wage component had been a particular factor of concern, but Australia had chosen to deal with the problem directly rather than introducing misguided trade restraints vis-à-vis low-wage countries. In 1992-93, unit labour cost had grown by no more than 0.4 per cent. However, there was more to be done in the labour market to improve competitiveness.
- (iv) Harmonization of standards in transportation and infrastructure and deregulation initiatives, notably in telecommunications and utilities, contributed to promoting domestic efficiency and trade. However, further steps might prove necessary; deregulation and debureaucratization had an important impact on overall economic efficiency.

19. With a largely coherent domestic policy package, Australia was well placed to continue its active rôle in the multilateral trading system, develop closer links to the dynamic economies of Asia-Pacific, and maintain strong bilateral efforts to expand trade and investment.

20. Australia's traditional trade pattern reflected its abundant endowment of primary commodities. In an effort to diversify, Australia had, in the past, adopted an increasingly expensive policy of import substitution in manufacturing, leading to distortive protection and support systems. The early 1980s marked a clear departure from this approach. Structural adjustments since then had been complemented by steps to reduce the distortive aspects of some long-standing institutions, such as the Marketing Boards. These changes did not only further Australia's longer-term interest of revitalizing and realigning its economy, but contributed to international trade expansion.

21. While the overall picture was encouraging, provided that Australia maintained this broad policy thrust, some areas deserved attention and needed corrective action:

- (i) labour market rigidities;
- (ii) support initiatives for "strategic" industries with an inherent risk of managed trade;
- (iii) excessive use of anti-dumping activities;
- (iv) continued high textile and clothing tariffs, affecting in particular developing countries; and
- (v) possible disguised trade restrictions resulting from Australia's sanitary and phytosanitary regulations.

IV. STATEMENT BY THE SECOND DISCUSSANT

22. The second discussant (Mr. M. Yabunaka) complimented the Australian Government for bold liberalization moves in a difficult economic environment. While it was easy for economists to point to the virtues of free markets and open trade policies, it was very difficult for Governments to draw policy conclusions and take action.

23. Noting, however, that his rôle as discussant was not only to praise but to identify weaknesses, he listed the following points:

- (i) high levels of tariff protection, despite tariff cuts and the abolition of tariff quotas, for passenger motor vehicles (PMV) and textiles, clothing and footwear (TCF);
- (ii) assistance for so-called strategic sectors such as telecommunications and pharmaceuticals;
- (iii) export requirements, research and development targets and local-content incentives as part of several support initiatives for information technologies;
- (iv) Australia's non-participation in the GATT Government Procurement Code despite the Government's claim that its procurement policies were liberal; and
- (v) a substantial increase in the number of anti-dumping and countervailing measures since 1991.

V. STATEMENTS BY MEMBERS OF THE COUNCIL

24. The representative of Argentina emphasized Australia's significant contribution to the Uruguay Round, its strong commitment to the multilateral trading system and its positive rôle as coordinator of the Cairns Group. Like Argentina, Australia had addressed persistent balance of payment problems through a unilateral process of trade and investment liberalization and deregulation. This had contributed to restructuring exports toward more sophisticated manufactures. Both countries had resorted to tight monetary policy which, while bringing down inflation, had taken a considerable toll on employment.

25. Australia's trade régime allowed for very few exceptions from m.f.n. treatment and the vast majority of imports were subject to identical rules and principles. However, GSP preferences had recently been curbed in some sensitive areas. He sought further clarification on the scope and duration of tariff concessions under By-Laws; the amount of assistance devoted to export market development; the future of the Innovative Agricultural Marketing Program; the product range qualifying for preferences under the TCF Import Credits Scheme; Australia's intention to sign the GATT Code on Government Procurement; and procurement activities at federal and sub-federal levels.

26. The representative of Thailand, on behalf of the ASEAN countries, concurred that Australia's economic reforms since 1983, including market opening and reductions in financial assistance, had helped to improve the efficiency of previously protected sectors and boost exports and imports. Not only ASEAN, but all other trading partners could gain from this process. The phasing down of tariffs and the elimination of tariff quotas were based on unilateral decisions, which had proved very positive for the Uruguay Round.

27. He expressed hope that a recent increase in anti-dumping activities on imports from ASEAN countries would be reversed in order not to frustrate the gains from market opening; sugar and tobacco, products of interest to ASEAN, would also be included in the liberalization process; and that quarantine requirements and standards would not be used for trade restrictive purposes. He called on the Australian authorities to use internationally recognized and reasonable standards as a basis for risk assessment in the sanitary and phytosanitary area and, in applying quarantine controls, to be mindful of the needs of developing countries such as ASEAN.

28. Assistance to agriculture was comparatively low, which had enabled Australia to play a vital rôle in the Uruguay Round. Rather than operating subsidy programmes, Australia had reduced the cost of farm inputs through tariff concessions and assisted farmers in upgrading skills or developing production alternatives. Australia's strong support for the multilateral trading system and its strict adherence to the GATT was also evidenced by the fact that, since the initial review, no complaints had been brought against it under the General Agreement and only few cases under the Tokyo Round Agreements. The proposed increase in tariff bindings from 20 to 94 per cent of tariff lines confirmed the liberal course of its trade policy. He therefore believed that the problems resulting from anti-dumping actions and quarantine requirements could be solved in a non-confrontational manner.

29. The representative of Hong Kong welcomed Australia's continued pursuit of market-oriented policies, departing from a long tradition of broad-based protection for its manufacturing and services sectors. Despite recession, Australia's autonomous trade liberalization process had made tremendous progress since the initial review in 1989.

30. Remaining areas of concern included the textiles and clothing area where Australia's tariff policy, despite liberalization moves, fell short of the Uruguay Round objective of reducing or eliminating tariff peaks and tariff escalation. The rates on clothing, as high as 47 per cent in 1983, would remain at

25 per cent in 2000. In the Uruguay Round, Australia had offered to bind tariffs on a number of textile and clothing items at the currently applied rates, which were some 20 times higher than the 1986 base rate. An attempt in the Uruguay Round negotiations to bring these tariff peaks down to a more acceptable level had failed.

31. Australia was one of the most frequent users of anti-dumping provisions worldwide, and Hong Kong's experience showed that most actions were initiated as a convenient and blunt protectionist measure. Weaknesses in the anti-dumping system included the short time frame for deciding on investigations; cumulation of allegedly dumped and subsidized imports; vertical extension of the definition of industry across production stages; and the recent prolongation of the sunset clause from three to five years. He urged the Australian Government to resist domestic industry pressures and adhere to its commitment to an open multilateral trading system and international competition.

32. The representative of Norway, on behalf of the Nordic countries, appreciated Australia's departure, in a largely autonomous process, from a history of highly restrictive and distortive interventions. This had led to a significant transformation of the Australian economy, improved its sectoral balance, spurred productivity, promoted international competitiveness, and established the country, as claimed by the Government, as a reliable and competitive supplier of globally demanded goods and services.

33. The tariff reduction programme, the abolition of tariff quotas and, in the Uruguay Round, the increase in tariff bindings deserved special mention. Remaining open or less satisfactory elements of the trade régime were: considerable tariff escalation; tariffs peaks on motor vehicles (PMV), textiles, clothing and footwear (TCF); the tariff quota on certain cheeses; Australia's non-participation in the Government Procurement Code; and its frequent use of anti-dumping remedies.

34. He invited the Australian representative to comment on a long-standing agreement between the maritime unions in Australia and New Zealand, which in practice excluded foreign competition in shipping between both countries. The agreement appeared to contravene Australia's Trade Practices Act as well as relevant New Zealand legislation. He further enquired whether the recent review of the Trade Practices Act would lead to changes in the provisions governing shipping companies' scope for co-operation in liner conferences.

35. The representative of Japan commended Australia for its firm commitment to the open multilateral trading system and its strong efforts to liberalize markets through tariff reductions, the abolition of tariff quotas, the accession to the GATT Standards Code and the termination of civil offset requirements.

36. He expressed concern about, and sought clarification on, current support programmes for information and telecommunication industries, such as the Partnerships for Development Program and the Industry Development Arrangements; high tariffs in the PMV and TCF areas; the relationship between the tariff reduction programme and the Uruguay Round results; the time schedule for the eventual abolition of the Australian Wheat Board's statutory export monopoly; Australia's absence from the Government Procurement Code; and current approval requirements for foreign direct investment which appeared to be unclear and untransparent.

37. Referring to Australia's anti-dumping legislation, the representative of Japan considered the definition of domestic industry, covering producers of raw inputs and processed goods, as inconsistent with the GATT Code. He also enquired whether, as a result of the Uruguay Round, Australia intended to change a provision that allowed for automatic duty increases if the export price fell, and invited the Australian representative to comment on the practice of assessing the cumulative impact of dumped

imports on the affected industry, the application of the so-called cross-cumulation provision, and the treatment of cases of negative dumping.

38. The representative of the Republic of Korea saw many positive features in Australia's trade policy. These included a high share of m.f.n. in total trade; continuous unilateral liberalization efforts even in sensitive areas; strong support for the GATT-based trading system; and an active contribution, for example via the Cairns Group, to the completion of the Uruguay Round.

39. Appreciating Australia's increasingly important rôle as an advocate of trade liberalization, both within the Asian-Pacific region and worldwide, he recommended further efforts to reduce tariffs and tariff escalation in the PMV and TCF sectors and invited Australia, while recognizing the liberal nature of its procurement régime, to accede to the GATT Code. Strategic products, telecommunication items, and imports from New Zealand appeared to benefit from significant procurement preferences. Referring to a worrying increase in anti-dumping actions since mid-1990, possibly for protectionist purposes, he called for more transparency in establishing normal values and expressed hope that Australia would adopt a more cautious stance.

40. The representative of Uruguay commended Australia for its contribution to the completion of the Uruguay Round in many areas, including agriculture. Studies by Australian institutes on world agricultural markets had illustrated the importance of effective subsidy disciplines and, thus, helped set the stage for the negotiations. Australia's co-ordinating rôle in the Cairns Group and the professionalism and technical expertise of its government services were important factors throughout the Round. Australia and Uruguay had many common interests, for example in the beef, dairy and sugar sectors, and both countries hoped that, despite shortcomings, the outcome in these areas would start a process of genuine trade liberalization.

41. The representative of Canada noted similarities in Canada's and Australia's economic situation, including the recession in 1990-91, high unemployment, low inflation, structural current account deficits, and recent attempts to overcome internal trade barriers. While welcoming the continuation of Australia's policy reforms since the 1989 review, away from a previously highly protective régime, he pointed to some significant exceptions, including an interventionist tilt towards so-called strategic sectors.

42. Despite marked reductions over the past five years, Australia's tariffs had remained relatively high and displayed significant sectoral variance. While industries such as steel, shipbuilding and civil aircraft now operated without intensive support, the legacy of past protection lingered on in the PMV and TCF industries, which continued to enjoy high rates of assistance. The incentive system thus remained skewed, limiting opportunities for trading partners to exploit their comparative advantage. The granting of tariff concessions for industrial policy purposes had a potentially harmful effect on resource allocation and trade. Although it could be argued that the concessions were mainly a means of accelerating tariff cuts he was worried, like the Secretariat, about an implicit increase in tariff escalation. Further areas of concern were Australia's voluntary restraints on meat deliveries to the United States and the EC, which were questionable on GATT grounds and proved quite disruptive for other participants; relatively high levels of protection for the dairy industry, including through a tariff quota on cheese; and the continuation of local content requirements to the advantage of domestic fruit producers.

43. While Australia had recently refrained from invoking Article XIX safeguards, anti-dumping actions had intensified and, as in other countries, were likely to become a prominent problem area. However, there were positive elements in the Australian anti-dumping system, for example rapid decisionmaking despite the duplication of effort inherent in the double examination of important aspects

by mutually independent bodies. He also recognized the progress made in removing standards-related barriers among the States, where there was a move towards accepting international norms, and the termination of civil offset requirements and certain preferential procurement practices.

44. A number of critical standards- and procurement-related issues had, however, remained: the application of restrictive agrifood requirements, additional to those of the National Food Authority, by certain States; excessive levels of sanitary and phytosanitary protection, for example, heating requirements for certain pork and smoked salmon with an adverse impact on marketability; an uneven application among similar products of disease-related import bar. Australia's non-participation in the GATT Government Procurement Code and a bias towards domestic suppliers of certain strategic goods, for example of telecommunications equipment.

45. Referring to incentive schemes such as the Partnerships for Development Program, which he felt might entail trade distorting elements, he enquired about the actual impact of such schemes on company research and development. He also sought information on Australia's experience with the 150 per cent tax concessions for industrial R&D, including the effects on sectoral research, production and trade patterns and on tax revenue.

46. The representative of the United States emphasized Australia's increasingly prominent rôle in multilateral trading institutions, its constructive participation, as member of the Cairns Group, in the Uruguay Round, and its commitment to free market principles. Recognizing the progress made in opening Australian markets, she was confident that further positive changes would result from the Uruguay Round. These should include, in particular, increased tariff bindings; tariff reductions and elimination of tariff peaks in areas such as clothing, carpets and other textiles; and the liberalization of services, including in the audio-visual sector where foreign access to local television programming and pay television broadcasts were hampered by quotas.

47. Improvements were also needed in Australia's intellectual property rights régime, for example, the introduction of adequate restrictions on compulsory licensing of patents and of a right for copyright holders to control parallel imports and rentals of computer programmes and sound recordings. The U.S. representative also urged the Australian Government to protect U.S. performers and their performances from bootlegging which, based on reciprocity considerations and a misinterpretation of U.S. law, had hitherto been denied. In the pharmaceuticals area, she complained about Australia's failure to secure the confidentiality of test data and called for the granting of an exclusivity period during which data submitted in support of an application for approval could not be used otherwise. She also hoped that remaining trade-related investment measures and notification and approval requirements for large investment proposals would soon be abolished and that Australia would join the Government Procurement Code.

48. The United States representative expressed disappointment at Australia's limited participation in the Uruguay Round tariff negotiations, in particular in the chemicals area; the continuation until 1995 of a discriminatory sales tax on fruit juice, whose removal had been announced twice; certain customs valuation practices, concerning royalties, buying commissions and inland freight, which she considered inconsistent with the relevant GATT Code; restrictive standards and design rules for automobiles and parts, electronic equipment, medical and telecommunications equipment, machinery parts and equipment; quarantine requirements and restrictive sanitary and phytosanitary standards barring access, for example, of a number of fresh fruits, poultry and pork; apparently discriminatory procurement practices in the information technology and telecommunications sectors; requirements on central government-owned companies to consider local content- and export-related purchasing criteria;

and a wide variety of export enhancement programmes, product development and export marketing services, and production subsidies.

49. Referring to the activities of Australia's agricultural marketing boards, the U.S. representative acknowledged that their activities were in large part financed by producers. However, the two-price system operated by several boards could result in significant levels of hidden subsidization.

50. The representative of Turkey was pleased that Australia had continued to pursue, for at least one decade, market-oriented policies leading to tariff and subsidy cuts, the abolition of tariff quotas and deregulation and privatization initiatives. While tariffs on PMV and TCF products remained very high and the level of bindings low, he expected that the Uruguay Round would at least result in a significant extension of Australia's tariff bindings.

51. The Turkish representative expressed concern about the continued operation of state marketing boards with exclusive purchasing powers for products such as wheat, eggs, sugar, oilseeds and ware potatoes, and the restrictiveness of Australia's quarantine regulations and sanitary and phytosanitary controls. His Government hoped that the implementation of the Uruguay Round Agreement on Sanitary and Phytosanitary Measures and other international obligations would be treated as priority issues. Referring to an amendment to Australia's Customs Act in 1989, considered as inconsistent with Australia's obligations under the Customs Valuation Code, he called for rapid legal change.

52. The representative of the European Communities recognized that, about ten years ago, Australia had broken with a long history of protection for its manufacturing and services sectors. An actual assessment of Australian trade policy needed to be placed in a broader macroeconomic context, taking into account, in particular, a structural current account deficit and high external debt. He felt, however, that the main policy thrust since the 1989 review was positive. Despite recession, a new tariff reduction programme had been launched in 1991, almost all tariff quotas had been removed, and several industrial sectors had apparently learned to operate without public assistance. He also welcomed Australia's accession to the GATT Standards Code in March 1992.

53. From the Communities' perspective, the weakest points in Australia's current trade régime were: high continued levels of protection in the PMV and TCF industries; significant tariff escalation despite current tariff reductions; incomplete extension to external suppliers of the benefits from sub-federal procurement liberalization; Australia's continued absence from the GATT Procurement Code; restrictive trade practices by certain agricultural marketing boards; restrictive sanitary and phytosanitary controls, amounting to de facto import bans; and new industrial policy initiatives towards strategic sectors, essentially information technologies and pharmaceuticals, based on local content, export and research and development targets. A recent policy change in the sanitary area, with scientific criteria replacing strict import prohibitions, could improve market access; however, it would be necessary to observe its implementation with care.

54. Australia's extension of tariff bindings in the Uruguay Round was good news, even though the starting level was extremely low. Referring to Australia's only remaining tariff quota on cheese, he enquired about the modalities of tariffication in the Uruguay Round context. He also sought clarification on the outcome of an administrative appeal challenging a restrictive definition of whisky; the intended schedule for introducing zero tariffs on spirits, a proposal endorsed by Australia in the Uruguay Round; any progress made in the harmonization of excise taxes on spirits and beers; and the rationale behind potentially restrictive labelling requirements for drinks.

55. The representative of Austria noted that the costs and frictions resulting from Australia's economic transformation were currently compounded by recession. However, the reform process held much promise for future. Like other delegations, he wondered why Australia had not yet acceded to the Government Procurement Code.

56. The representative of Hungary joined other delegations in praising Australia's perseverance in carrying out fundamental economic reforms, despite severe recession, persisting current account deficits and high external debt. Trade liberalization formed an integral part of a longer-term strategy to overcome structural impediments to growth. The Australian authorities had not allowed short-term expedients to compromise this approach, whose positive effects, in terms of low inflation and accelerated growth, had recently started to unfold.

57. While appreciating the overall policy thrust, in particular Australia's commitment to the multilateral system and the GATT, he listed various areas of concern: relatively high tariff averages despite the ongoing reductions; tariff peaks on textiles and clothing, which effectively discouraged any exports to Australia; the phasing out of GSP preferences in areas of particular export interest to Hungary, for example TCF products, foodstuffs and chemicals; very strict quarantine requirements effectively barring access for processed meat products such as sausages and salami; and Australia's very frequent application of anti-dumping measures.

58. The representative of Switzerland welcomed the ongoing liberalization of Australia's manufacturing and services sectors, in defiance of strong macroeconomic constraints. Acknowledging Australia's readiness to reduce tariffs and increase the level of bindings in the Uruguay Round, he noted that the tariff average would remain high by OECD standards and that rates on numerous industrial items would be kept unbound. He enquired how Australia intended to protect the ongoing tariff reduction programme from policy slippage and, moreover, address the problem of tariff escalation.

59. Australia's support policies for the pharmaceuticals sector, including the so-called factor f scheme, ran counter to free trade principles. Switzerland was also concerned about significant levels of assistance, and the resulting trade distortions, in the TCF and machine-tools industries. Appreciating the recent liberalization of Australia's foreign investment régime, the Swiss representative recommended further increases in the notification and approval thresholds, with a view to their eventual abolition, and enquired about any such policy intentions. He also encouraged Australia to liberalize its government procurement régime, like other industrial countries, and accede to the relevant GATT Code. Referring to sanitary and phytosanitary controls, he hoped that these would not be used as trade restrictive instruments.

60. The representative of the Czech Republic saw a promising outlook for the Australian economy, mainly owing to fiscal and monetary discipline. He appreciated that import protection relied almost exclusively on tariffs and that tariff cuts and increased bindings had been offered in the Uruguay Round. However, there was scope for further action in areas such as PMV and TCF, which continued to display considerable tariff peaks and escalation.

61. The representative of New Zealand noted that the Secretariat report rightly painted a very positive picture of the liberalization and internationalization of the Australian economy. Given the intensive trade and economic links between both countries, New Zealand had a particular interest in this process, which appears to have benefitted significantly from the Closer Economic Relations Trade Agreement. ANZCERTA was an outward-looking and GATT-consistent way of intensifying competition, economic specialization and co-operation. Initiatives under the agreement had included harmonization of regulatory requirements and, gradually, of business law; opening of procurement markets; and abolition of anti-dumping actions in return for the application of competition law. Both countries continued to

work towards a genuine single market; current discussions revolved around a possible mutual recognition scheme for product standards and professional qualifications.

62. Since transparency was an important element of the TPRM process, he was interested to learn more about Australia's sector-specific support schemes and current business arrangements with local content and export targets, for example, in the telecommunications sector. He also sought information on any intended regulatory changes in services industries with substantial government ownership, such as airlines, and expressed particular interest in a forthcoming industry statement by the Australian Government, expecting it to detail future significant reductions in support, as announced in general terms.

63. The representative of Poland recalled the economic environment within which Australia was carrying out an ambitious liberalization and deregulation programme. Negative aspects, in particular high unemployment, low levels of investment, persisting current account deficits and high external debt, contrasted with very low inflation rates and, more recently, a certain acceleration of business investment. Referring to strong monetary expansion over the past months, he enquired about the rôle of monetary policy and, in particular, interest rates within macroeconomic policy setting.

64. Australia's involvement in free trade agreements was relatively unimportant, reflecting its strong support for the m.f.n. principle. However, he wondered about the policy rationale behind the Canada-Australia Trade Agreement, its actual trade policy impact and its status under the GATT. He also sought further clarification on Australia's duty drawback system, which he felt might entail an element of export subsidization. Other areas of concern were Australia's high continued levels of tariff protection, tariff escalation, lack of transparency in the area of financial assistance, and frequent recourse to anti-dumping remedies.

65. The observer from the International Monetary Fund fully supported the way in which the available documents and several statements had linked trade policy with overall macro- and structural economic policies. The coherence of Australia's policy approach was at the base of the improvement in its growth performance and in the robustness of the economy. There was need for further improvement, especially in productivity, if unemployment was to be absorbed and the longer-term growth potential met. However, Australia's sustained emphasis on coherence provided the best chance for policy success.

VI. REPLIES BY THE REPRESENTATIVE OF AUSTRALIA AND ADDITIONAL COMMENTS

66. The representative of Australia thanked discussants and Council members for their statements and contribution to the debate. He reiterated the need to frame and pursue trade policies in a general economic context. Without a broad economy-wide perspective, there was always a risk for individual policies to focus on discretionary intervention and to yield to sectoral pressures. Thus, for more than ten years, Australian Governments had pursued a comprehensive policy concept towards trade and structural adjustment which, contrary to certain indications in the debate, did not exempt previously highly protected sectors such as PMV and TCF from rapid and thorough change.

(1) Macroeconomic situation

67. The liberalization of Australia's trade régime in the manufacturing sector was accompanied and assisted by market opening and deregulation in many other segments of the economy, including financial and labour markets. Examples of financial liberalization were the removal of exchange controls and the new access opportunities provided for foreign banks. Industrial relations were now characterized by a consensual, co-operative approach that stood in striking contrast to the situation one decade before. The need to further encourage enterprise-related bargaining, rather than central wage setting, was widely recognized, including among trade unions. Various government initiatives were geared to enhancing the efficiency of the public sector and reducing its size, even though it was already smaller than in most other OECD countries.

68. Sound macroeconomic policies were an essential prerequisite for continued microeconomic reform. Government budget discipline in the late 1980s had provided scope for fiscal stimuli to fight recession and, thus, forestall policy slippage that could have jeopardised the reform agenda and the integrity of the macroeconomic setting.

69. Complimenting Australia for its ambitious economic reforms, supported by prudent macroeconomic management, the first discussant emphasized the importance of domestic policy co-ordination to ensure consistent results. This implied that, as in the case of Australia, Trade Policy Reviews needed to cover the interaction of trade and other policies that impacted on a country's external sector. In the same vein, he felt that the forthcoming WTO, in order to play its proper rôle, would have to address problems of global economic co-ordination well beyond the sphere of narrowly-defined trade issues.

70. Agreeing that the fundamentals for strong and self-sustainable growth were in place in Australia, both discussants underlined the need for discipline in monetary expansion, in order to guard against inflationary risks, and to scale down a recent, mainly recession-related increase in fiscal deficits. In addition, the second discussant recommended training programmes with a view to increasing the flexibility and mobility of labour. The representative of Argentina underlined the importance of decentralized wage settlements that took into account sector-specific adjustment and investment needs.

(2) Australia's rôle in the international trading system

71. Commenting on the outcome of the Uruguay Round, the representative of Australia reiterated his Government's active interest in developing and strengthening the multilateral trading system and extending its coverage to new areas, in particular trade in services. Though there was room for further improvement, he was particularly pleased with the outcome for agriculture, submitting this sector for the first time to effective GATT rules and disciplines. The Cairns Group, co-ordinated by Australia, had played a valuable rôle in this context and he hoped that some sort of co-operation could be continued.

The Uruguay Round results in the financial services sector, in telecommunications and maritime transport were somewhat unsatisfactory.

72. Since the m.f.n. principle remained the cornerstone of Australia's trade policy, he considered the active participation of many countries in the Round, including developing countries, as encouraging and promising for the future. The reorientation of Australia's trade towards Asia reflected economic forces and was fully consistent with GATT requirements. Australia's free trade relations with New Zealand, under the Closer Economic Relations Trade Agreement, were an outstanding example of how Article XXIV of the GATT should be applied.

73. The first discussant noted that regional co-operation in Asia continued to be outward-looking and supportive of international liberalization; open world markets were a precondition for regional prosperity. The second discussant concurred.

(3) Trade liberalization

74. The representative of Australia reiterated that Australia's *tariff liberalization* programme had been launched on an autonomous basis, driven by domestic policy needs rather than by external incentives or Uruguay Round requirements. Thus, he felt that it was inappropriate to raise the question of GATT bindings in this context. With the implementation of the Round, Australia was committed, nevertheless, to bind 94 per cent of its tariff lines. He also felt that it was misleading to pinpoint allegedly high tariff averages in 1993 or 1994 without paying tribute to the ongoing reduction process. In 1996, no rate would exceed 5 per cent, except in the PMV and TCF sectors, and the problem of tariff escalation would disappear concurrently.

75. The PMV and TCF sectors were subject to larger tariff cuts, both in absolute and percentage terms, than many other industries. In addition, Australia had removed all tariff quotas on passenger motor vehicles and had never used market sharing arrangements as substitutes for import protection. Import patterns and penetration rates had changed dramatically in recent years. Australia had removed all tariff quotas on textiles, clothing and footwear in 1993, while other trading partners had negotiated in the Uruguay Round the right to operate quotas until 2006. In addition, Australia was committed to bringing all TCF tariffs down to no more than 25 per cent by 2000. All subsidy (bounty) schemes for textiles would be terminated by 1995.

76. Australia had participated in all sectoral tariff negotiations, except on furniture. The intensity of participation had varied, of course, reflecting Australia's negotiating interests in individual areas and/or the contributions made by trading partners. He did not preclude that, in certain circumstances, Australia would also participate in the furniture area.

77. Australia was currently examining the results of the renegotiation of the Code on *Government Procurement*. At this point, however, he failed to see how other contracting parties could benefit from Australia's accession to the Code. Its current procurement régime was free of any preferences for domestic suppliers, country-specific exclusions and reservations for specific sectors or groups of enterprises. Government purchases were solely driven by value-for-money considerations. As in the tariff area, Australia had opened its procurement markets for reasons of economic efficiency, regardless of negotiating interests. He was concerned that membership of the new Code could lead to de-liberalization, possibly including a requirement to discriminate against non-signatories.

78. It was inappropriate to judge Australia's *animal and plant health regulations* without taking into account the specific situation of an island continent. Given the geographic scale of the country,

diseases could long remain undiscovered and would be extremely difficult to combat. As a major exporter of many farm products, Australia was compelled to take effective measures, based on scientific evidence and generally recognized standards, to protect its animal and plant health status.

79. The activities of *agricultural marketing boards* had been reduced significantly in scale and scope in recent years. Remaining activities were governed solely by commercial considerations.

80. Australia's *tariff quota* on certain cheeses, the only remaining such quota, and the *local content requirements* in the fruit juice sector would be brought into conformity with the Uruguay Round results. Thus, the cheese quota would be tariffed; the expected result was a global quota of 11,500 tonnes with a tariff of \$A 96 per tonne on in-quota deliveries and \$A 1,440 per tonne on additional imports, subject to a 15 per cent reduction over the implementation period.

81. The *voluntary restraints* on meat exports to the United States had not been sought by Australia and, therefore, were not included in the Government's TPR report. They had been accepted by Australia in order to avoid more restrictive import quotas mandatorily imposed by the United States. However, a positive solution had been found in the Uruguay Round.

82. Australia's *sugar industry* had undergone significant reforms in recent years, an import embargo had been lifted and tariffs had come down significantly. Australia, usually considered to be the world's most efficient sugar producer, was certainly not afraid of free and undistorted competition, but aimed to protect its industry from dumping and other unfair marketing practices abroad.

83. Australia's *anti-dumping system* was very transparent, with strict procedural safeguards and review provisions, and completely in line with GATT Code requirements. The number of outstanding anti-dumping actions could be a misleading indicator. For example, it masked the fact that 55 out of the current 75 measures were concentrated on two sectors, processed agricultural products and chemicals. Both areas were subject to specific factors, in particular highly distortive export subsidies by major agricultural exporters and, in the chemicals sector, the specificities of large-scale, capital-intensive production processes. Wishing to keep their plants on stream as long as variable costs were covered, producers sought to discharge excess quantities on open export markets. The increase in Australian anti-dumping activities on such supplies was thus mainly attributable to the economic downturn in major user countries. Despite these developments, however, the trade coverage of Australian anti-dumping actions had remained extremely low, for example, less than 0.7 per cent of all imports from ASEAN countries, and the number of new initiations had dropped significantly in 1993.

84. Australian industrial policy was not aimed at *targeting strategic sectors*. All existing programmes were designed to facilitate structural adjustment in industries particularly affected by deregulation and liberalization initiatives. This was the case, for instance, in telecommunications where Australia had abolished the traditional network monopoly and opened the market for value-added services.

85. The present regulatory framework in telecommunications allowed for network competition between two licensed carriers whose suppliers were encouraged, under the Partnerships for Development Program and the Fixed Term Arrangements Program, to carry out longer-term strategic activities in Australia. These activities formed part of the participants' global strategy; all engagements were on a best endeavours basis and no particular incentives were made available. The Industry Development Arrangements for producers of terminal equipment were due to end in July 1996, one year before the termination of the current network duopoly. As from 1996, the only support available would be a 5 per cent tariff.

86. Australia's current *foreign investment régime* was open. The basic objective was to encourage, not to deter, equity inflows. Very few applications for inward foreign direct investment were rejected, mainly on legal and general policy grounds.

87. *Liberalization and deregulation of services*, including transportation, telecommunications and financial sectors, were as far-reaching as the reforms in core manufacturing areas. Australia was prepared to continue talks about prospective areas for further liberalization, including issues related to the temporary movement of foreign personnel.

88. Access conditions in the *audiovisual sector* were far less restrictive than suggested in the Council debate. For example, U.S. producers had up to 90 per cent of the Australian cinema and home video markets; revenue to the United States in 1991-92 was of the order of US\$450-500 million; nineteen of the top twenty films at the box office in 1992 were U.S. titles; and 80 per cent of imports of television programmes were sourced from the United States.

89. The protection extended to foreign performers under Australia's *copyright legislation* was in line with international rules and principles, which were usually based on reciprocity criteria. Referring to concerns voiced by the U.S. representative about insufficient protection from bootlegging, he noted that Australia extended the same level of protection to U.S. performers as experienced by Australians in the United States. However, the easiest way of avoiding any problems in this area would have been the U.S. accession to the Rome Convention, the relevant international framework agreement in this area, to which Australia was already a signatory. Australia would, of course, extend performance protection to U.S. artists under the GATT Agreement on Trade-Related Intellectual Property Rights, which imposed the same obligation on the United States. Similarly, Australia's legislation on compulsory licensing of patents and rental rights for computer programmes and sound recordings would be brought into conformity with the TRIPs Agreement.

90. Recent legislative changes relaxing the possibility of copyright holders to control parallel trade had been confined to imports of books in specified circumstances. These changes had been prompted by a report by the Prices Surveillance Authority that had highlighted anti-competitive and anti-consumer aspects of the previous régime.

91. Referring to concerns expressed about the protection of test data, he noted that the law recognized an equitable duty of confidentiality where appropriate in respect of test data submitted to a regulatory authority in support of an application for a product. However, where it was necessary to ensure public safety, a regulatory authority might be entitled to use the test data when considering another application. This principle had been developed by the courts, rather than by legislation.

92. The first discussant felt that the replies given had allayed concerns about certain weaknesses in Australia's otherwise impressive policy record. Pointing to the deterrent effects of anti-dumping initiatives on small and new exporters, he expressed confidence that such measures would not be used for protective purposes. He also encouraged the Australian authorities to base sanitary and phytosanitary regulations on internationally recognized criteria in order to avoid unjustified trade frictions. Endorsed by the second discussant, he warned of protectionists risks, for example, in the form of managed trade, that might ensue from assistance for sectors considered to be of strategic importance. Infant industry protection, once accorded to one sector, tended to spread quickly into new areas.

93. While complimenting Australia for its ambitious tariff liberalization agenda, the second discussant expressed concern about the scale of tariff protection that remained in place in the PMV and TCF industries. Referring to government procurement, he appreciated that the Australian system was fairly

open and transparent which, given the country's strong support for multilateral rules and disciplines, should be an incentive to join the new GATT Code. He failed to see how signatories could be required to discriminate against non-participants; the only major difference to the present Australian régime would be the recognition of the dispute settlement and appeals procedures under the Code.

94. It was reassuring to the second discussant that recent anti-dumping activities had essentially remained confined to two specific sectors. Moreover, as indicated in the Secretariat report, a high number of applications had been rejected by the competent bodies. While this seemed to suggest that the procedures were strict and fair, he remained concerned about the trade-detering effects already resulting from an application.

95. Endorsing the second discussant, the representative of Norway, speaking on behalf of the Nordic countries, encouraged Australia to join the Government Procurement Code, where it could play a very productive rôle.

96. The representative of Hong Kong saw similar risks in the Government Procurement Code to those indicated by the Australian representative; Hong Kong was highly unsatisfied about the outcome of the renegotiation of the Code, in particular about new discriminatory elements embodied in the concept of sectoral non-application and reciprocity. He also reiterated concerns that anti-dumping actions could be used to replace traditional policy instruments such as tariffs and subsidies. Such measures had a disproportionately negative impact on small companies which tended to cease exportation rather than undergoing the onerous procedures to defend their case. Under the concept of "best available information", the importing country could then extend the relevant findings to other exporters in the same industry, with highly disruptive trade effects.

97. The representative of the European Communities also warned that protectionist interests might seek to substitute new trade barriers, such as excessive sanitary and phytosanitary requirements, for restrictions abolished in the Uruguay Round. He felt that Australia should have no real difficulties in signing the GATT Procurement Code, if its régime was as open as suggested in the debate.

98. The representative of the United States emphasized the binding effects of membership in the Government Procurement Code, which would help to ensure that Australian's procurement rules remained liberal. The import figures for audiovisual products given by the Australian representative highlighted the economic importance of the sector and its potential for further trade expansion.

99. The representative of Canada referred to the self restraints imposed on Australia's meat exports to the United States and enquired about their status under domestic competition law and the GATT.

100. Noting that, according to the TPRM mandate, reviews were not intended to serve as a basis for the enforcement of specific GATT obligations or dispute settlement procedures, the representative of Australia commented only on domestic legal aspects. While the Australian Trade Practices Act imposed a prohibition on certain private collusive arrangements, the measures in question had been negotiated between Governments and the necessary licences were allocated by statutory bodies. This meant that resulting business practices were beyond the reach of the Act.

101. He reiterated that the Australian Government was aware of the risk that new protective measures could be used, or existing measures misused, to counteract trade liberalization in the aftermath of the Uruguay Round or Australia's unilateral reform programme. Such concerns were not taken lightly, and the Government was determined to fight any such attempts.

102. Replies to written questions received from the European Communities and Canada and to detailed factual points raised during the meeting would be provided and circulated as expeditiously as possible.

VII. CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL

103. These concluding remarks are, as usual, made on my own responsibility. They reflect my understanding of the salient features of the Council discussion, which will be fully reported in the Minutes of this meeting.

(1) Macroeconomic management and structural adjustment

104. Since its initial Trade Policy Review in December 1989, Australia has continued to implement an ambitious long-term programme of structural reform, in which trade liberalization and deregulation are central elements. Council members appreciated the scale and scope of the reforms, which had been pursued despite recession, a persistent current account deficit and high external debt. Instead of resorting to short-term expedients, Australia had chosen a coherent longer-term strategy, combining prudent macroeconomic management and thorough microeconomic reform. Positive results were now beginning to be seen, particularly in the growth and diversification of exports.

105. Members recognized that supportive fiscal policy had aided Australia's economic recovery without compromising the Government's objective of gradually reducing the weight of the public sector and, hence, its claim on private savings. Monetary discipline had contributed to achieving a low rate of inflation: concerns were expressed, however, about the possible effects of a recent surge in the money supply. Questions were also raised as to whether remaining labour market rigidities might inhibit the economy's responsiveness to new investment and growth opportunities.

106. The representative of Australia replied that financial policies had remained on course. While using existing possibilities for fiscal stimulus, the Government was anxious to preserve a sound macroeconomic framework for adjustment and investment decisions. The current environment of consensual industrial relations stood in striking contrast to the situation in the early 1980s. Labour market reform was continuing with a view to encouraging decentralized wage settlement and greater industrial flexibility.

(2) Australia's rôle in the international trading system

107. Members recognized Australia's strong support for the multilateral trading system, based on the GATT. Most of Australia's external trade was m.f.n.-based and, apart from two exceptions in the meat sector, not subject to any bilateral restraints. Australia had worked vigorously for the successful outcome of the Uruguay Round. Several members highlighted Australia's perseverance as the coordinator of the Cairns Group.

108. Echoing these comments, the representative of Australia underscored his Government's satisfaction with the results in virtually all areas covered by the Uruguay Round. Australia was particularly encouraged by the outcome for agricultural trade which, for the first time in GATT history, would be submitted to effective multilateral rules.

(3) Trade liberalization: achievements and tasks ahead

109. Council members appreciated Australia's ongoing unilateral trade liberalization. Significant tariff cuts, abolition of tariff quotas, subsidy reductions, elimination of civil offset obligations, and harmonization of standards and procurement practices had increasingly opened the manufacturing sector to competition. Shipbuilding and steel were positive examples of industries that had learned to survive without intensive government support.

110. Acknowledging that a significant increase in Australia's tariff bindings would result from the implementation of the Uruguay Round, members enquired about the relationship between Australia's current tariff reduction programme and Uruguay Round commitments. Concerns were expressed about the persistence of tariff peaks and escalation in sectors such as passenger motor vehicles (PMV) and textiles, clothing and footwear (TCF). Some also felt that, despite the reductions, the average level of tariffs remained high, with considerable dispersion.

111. Other areas of concern included quarantine requirements and sanitary and phytosanitary regulations, which effectively barred access for several significant agricultural and food products; restrictive purchasing practices by State marketing boards; local content requirements in the fruit juice and tobacco industries; tariff quotas on certain cheeses; preferential procurement policies by several States and Territories; and Australia's non-participation in the Government Procurement Code.

112. Several participants suggested that recent changes in Australia's anti-dumping legislation and the surge in anti-dumping activities in 1991 and 1992 might compromise the progress made in dismantling formal trade barriers. It was noted that anti-dumping or countervailing initiatives could be particularly disruptive for small-scale exporters to Australia.

113. Clarification was sought about support schemes for "strategic" sectors. Such schemes for telecommunications and pharmaceuticals contained local content and export-related incentives. There was a risk that industrial targeting might ultimately lead to managed trade.

114. Further comments pinpointed recent modifications in customs valuation and labelling requirements. Perceived deficiencies in intellectual property protection and remaining notification and approval requirements for foreign investment in sensitive sectors were also identified as areas for further action and reform.

115. In reply, the representative of Australia said that the tariff reduction programme was undertaken on a unilateral basis, in accord with the country's economic needs. The fact that the programme had been pursued through the worst recession in fifty years should reassure Council members of its continuity. By 1996, no tariffs would be over 5 per cent except in the textiles, clothing, footwear and passenger motor vehicle sectors. Even in these areas, considerable reductions had been made and non-tariff barriers removed. The tariff reduction programme would also sharply reduce escalation.

116. Australia was examining the results of the Government Procurement Code renegotiations, but it was not clear what the benefits of accession would be to Australia, whose system was already open and non-discriminatory. Accession might require Australia to discriminate against non-signatories. In this connection, the representative of Australia expressed interest in a comment by one member concerning sectoral non-application and reciprocity provisions in the new Code.

117. Quarantine standards in Australia reflected the island nature of the continent, which was free of certain animal and plant diseases. It was vital for Australia's exports, as well as the protection of its own environment, that such diseases continued to be excluded. Australia's regulations were consistent with existing international conventions and with the new Agreement on Sanitary and Phytosanitary Measures emerging from the Uruguay Round.

118. Marketing boards were run on a commercial basis. The tariff quota on cheese would be fully tariffed, in keeping with Australia's Uruguay Round commitments.

119. Australia's anti-dumping provisions were transparent and GATT-consistent. The number of cases in recent years should be seen in the light of their sectoral concentration in processed agricultural products and chemicals, where particular international circumstances prevailed. Only a minor percentage of Australia's imports was subject to anti-dumping actions; moreover, the number of cases had fallen in 1993.

120. Australia did not have "strategic industry" programmes and there was no tilt towards "neo-protectionism". Sectoral programmes aimed to facilitate adjustment in established industries such as PMV and TCF, or to assist the opening of new sectors such as information technology and telecommunications, previously under monopoly control. The Industry Development Arrangements in the telecommunications sector were transitional; they would be phased out in 1996, one year before the intended full deregulation of the sector.

121. There were few screening requirements on foreign investment. Moreover, few investment applications were rejected, and then only on general policy and legal grounds.

122. On services, deregulation was underway in all major sectors. Legislation was in draft to bring Australia's intellectual property laws into line with the Uruguay Round TRIPs Agreement.

(4) General observations

123. Australian trade policies over the past few years have contributed significantly to preserving the integrity of the multilateral trading system. In implementing its reform programme, Australia realized that far-reaching autonomous liberalization was both economically desirable and politically feasible. Australia's pursuit of trade liberalization in difficult times has helped to promote its own economic adjustment and has set an example for others to follow. The policy momentum resulting from the Uruguay Round, in which Australia played an important rôle, should create a more favourable environment for the consolidation of its reforms.