

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## STATEMENT MADE BY THE AUSTRALIAN DELEGATION AT THE GROUP "TARIFFS" MEETING, OCTOBER 1976

In recent months some major participants in the negotiations have tabled their general views on tariff cutting proposals with particular emphasis on devising an agreed approach to the depth of cuts.

From the Australian point of view, and we believe our interests would be fairly representative of the less highly industrialized developed countries engaged in the negotiations, the most noticeable common characteristic of all the proposals is the failure of the formulas to take account of the particular circumstances of countries like Australia. The formulas seem to be heavily weighted in favour of countries which are highly industrialized. In our view there is a need for those proposing the formulas to demonstrate how these considerable imbalances would be compensated. What seems plain is that so far as the tariff negotiations are concerned the compensation will not be in agricultural products. If countries like Australia are to engage in tariff negotiations in a meaningful way we would have thought that some effort would need to be made by those proposing formulas to show where the advantages for these countries are to come from. Until someone amongst those who dominate world trade is prepared to state in practical terms what it is prepared to do (and exceptions need to be set out specifically), the proposals so far enunciated are of little more than academic interest to a number of us.

Australia operates a substantive and dynamic tariff which, in accordance with the GATT, is the major means of affording protection to Australian industry. Variations in tariffs therefore have a direct impact on trade. Reductions in tariffs, in particular, have direct and beneficial consequences for overseas suppliers of industrial and manufactured goods: the largest category of Australia's imports representing about 90 per cent of the total. However, the bulk of Australia's exports, about 75 per cent in fact, are primary products which commonly face not so much tariff barriers, as non-tariff barriers. Only a small percentage of Australia's total exports are manufactures. An even smaller proportion is sold into the developed country markets, where tariffs might affect access and where formula cuts would be significant.

Table 1: Percentage of Australia's Exports to the Following Countries that are Manufactures - 1975/76

	<u>Percent of Exports to that Country by Value</u>	<u>Percent of Total Exports by Value</u>
US	11.4	1.2
Japan	7.3	2.4
EEC	13.1	1.9

Several important features emerge from these simple facts for example:

- In the international application of any given cut in tariffs, a country such as Australia gains little benefit and substantially less than major industrially advanced economies, or even developing countries which have a large industrial sector. Put another way, there would probably be little direct effect on Australia's trade if major developed countries did not make any across-the-board change in their existing industrial tariff levels.
- It follows that general tariff concessions by Australia must be reciprocated principally by concessions elsewhere in the negotiations, for example, the area of non-tariff measures, and particularly in respect of primary products. Hence, Australia's insistence that the question of tariff negotiations must not become isolated from other elements in the negotiations.

In considering tariff and non-tariff concessions, it is Australia's view that an unbound tariff concession is equivalent to a concession of equal trade value on a non-tariff barrier unless the benefits of such a non-tariff barrier concession can be guaranteed against erosion.

Non-tariff measures rather than tariffs constitute many of the significant barriers to Australia's exports. The reduction or elimination of such measures is therefore of great interest to Australia. But any agreements reached to secure this must carry the same binding obligations as we have come to accept to apply to commitments to bind the tariff. Unless this is done, it will not be possible to ensure that reciprocity of treatment is maintained between concessions in the area of non-tariff measures and those in the tariff area. We believe that the Group will need to give serious attention to this concept.

Maintenance of a tariff and/or supporting a concept of a tariff floor purely for negotiating purposes is fundamentally in conflict with the idea of trade liberalization. Australian practice in fixing tariffs is to maintain them primarily for protective not negotiating purposes. (For example, more than 60 per cent of Australian imports cleared enter duty free). Moreover, tariffs are under continuing review and are removed or reduced as the need to maintain them changes. Australian concepts of tariff fixation are therefore more in harmony with the principles of trade liberalization than concepts which promote the maintenance of tariffs simply for negotiating purposes.

Since 1973, Australia has made an across-the-board reduction in tariffs of 25 per cent. In addition further reductions in tariffs have been made in the context of the continuing long-term tariff review and as at April 1976 import duties have been reduced on 429 former tariff items (339 items in terms of new tariff consolidation). Overall since 1973 Australian tariffs have been reduced about 30 per cent.

Whilst other major participants have since 1973 discussed, argued and deliberated over tariff reduction formulas Australia is one of the few participants in these negotiations which has actually undertaken and sustained significant reductions in tariffs. These have been of substantial benefit to its trading partners.

That considerable trade benefit has accrued from our unilateral actions is apparent from the figures below:

Table 2: Growth in Australian Imports and Exports by Values  
Subsequent to Tariff Cuts in 1973 and After  
1975/76 Over 1972/73

	<u>EEC</u>	<u>US</u>	<u>Japan</u>
Increase in Australian imports from	67 per cent	92 per cent	118 per cent
Increase in Australian exports to	12 per cent	28 per cent	61 per cent

Turning now to the proposals put forward to date, Australia considers that they:

- Do not take into account the different economic structures of countries or the scope and purpose of tariff protection which has a more substantive role in smaller and less diversified economies

- Involve some countries making judgements on tariff formulas involving substantial imbalance in concessions without an indication of where balancing reciprocity will be found
- Stress the principle of harmonization without economic justification.

We think the Canadian statement in July, reflected many of the general reservations we have about the formula concepts so far put on the table.

It is also a matter of concern to Australia that while considerable development is now taking place in the Tariff Group in terms of specific formula tariff reduction suggestions, equivalent progress is not being manifested in the other negotiating groups. In addition, while general formulas for cutting tariffs have been outlined by some major participants, three have chosen to exclude agriculture entirely from their proposals and at the same time none have been prepared to state the nature of exceptions, or other exceptions, they intend to claim. Until exceptions are known, the general propositions on tariff formulas are meaningless. Equally, the apparent automatic assumption in proposals tabled to date that tariff cuts by different countries using the same formula involves equivalent concessions and benefits is false. In terms of tariff negotiations taken in isolation the formula reduction proposals tabled are heavily weighted against countries such as Australia. They would require a major restructuring of industry without any suggestion of what might be reciprocal benefits. Let me give examples in our major markets.

In the case of the US its proposals would involve a cut of about 60 per cent in Australia's tariffs (or an additional 40 per cent on present rates). Only 11.4 per cent of Australia's total exports to the US are manufactured products while significant primary product exports are subject to non-tariff measures arising out of the US GATT Agriculture Waiver and domestic legislation.

In the case of the EEC, its proposal which excludes agriculture would involve a 70 per cent cut in Australia's industrial tariff (an area in which 95 per cent of our imports from EEC falls) compared with a quoted 32 per cent cut in EEC industrial tariffs. In fact, the EEC proposal, when looked at realistically from Australia's point of view, involves a 32 per cent cut on about 13 per cent of our exports to the EEC (or 1.9 per cent of total exports) and does not even begin to approach the contribution which Australia's 30 per cent or so tariff reductions since 1 January 1973 have already made to trade liberalization.

Similarly, with regard to the Japanese and Swiss proposals tabled yesterday, from our point of view, much the same imbalance applies as exists in the EEC formula. The call by the Japanese and Swiss Delegations for minimal exceptions

is curious when their proposals exclude agriculture which, in our case, represents exclusion from potential benefits of half our total export trade (i.e. farm products).

To translate our perspective into the major developed country terms: what reception would be given to a proposal for general formula cuts in barriers to agricultural trade with industrial products omitted?

Finally, I wish to emphasize that progress in the tariff area of negotiations from the point of view of countries like Australia can only occur when the major participants in these negotiations state specifically the exceptions they intend to claim and the offers they intend to make in other areas of the negotiations. This is necessary so that these may be evaluated in relation to overall reciprocity and in accordance with the Tokyo Declaration which states that the negotiations shall be considered as one undertaking, the various elements of which shall move forward together.