

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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SPEECH BY THE PRIME MINISTER OF AUSTRALIA TO THE
CONTRACTING PARTIES OF THE GATT, GENEVA
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The text of the speech is being circulated at the request of the delegation of Australia.

I want at the outset to express my thanks for the opportunity you have given me to speak about issues of immense importance - the profound problems besetting world trade today. I have spoken on this subject in many forums, but I am very conscious of the fact that, as representatives of your countries professionally responsible for trade negotiations, you constitute an exceptionally expert body.

I do not today intend to talk to you about matters of technical detail, important though those are of course in the negotiating process.

I want to talk to you on a broader scale, as the Prime Minister of a country deeply concerned not just with the precise terms of trade negotiations but with the whole trend of what is happening in international trade and with the direction in which I believe we should be heading.

For many of us in Western society the decade of our forties can trigger that troubling period of self-appraisal known as mid-life crisis. It can lead to aimlessness and a loss of self-esteem. But handled with maturity it can be a positive experience: it can lead to reinvigoration and a renewed sense of purpose. I believe that the GATT, which this year celebrates its 40th birthday, has entered a period akin to a mid-life crisis. Forty years is certainly long enough to reduce an institution to irrelevance if there is no process of introspection, of reappraisal and, if necessary, of redirection.

It is my belief that nothing short of a fundamental rethink of domestic policy settings by all economies, and especially by the largest industrial economies, can remedy the current malaise in the world trading system.

And I believe too that the rules of world trade must also be reformed. For without a growth-oriented trading system - associated, I might add, as the founders of GATT recognized, with an efficient financial system - the imbalances will be corrected only with severe economic cost and, stemming from that, mounting social and political tension.

The simple fact is that since GATT was formed - and even since the last review of GATT - the world has moved on. If we want to see GATT remain relevant to the world's economic needs, it needs to move with it.

The challenge confronting all of us as members of GATT is to use the period of reappraisal afforded by the Uruguay Round to provide a stable base for free and fair world trade for decades to come - just as the original contracting parties did 40 years ago. That reappraisal must also provide the foundation from which we can maximize equitable low-inflation world economic growth.

The need is great. Time is short. The costs of failure are high.

I am by nature an optimist but I must say that present indications suggest that there is a long way to go before this urgency is properly reflected in the actions of some of the largest trading nations.

Today then, as the leader of a nation thoroughly committed to the cause of liberalizing world trade, I want to impress upon you the necessity to take up this cause as a matter of highest priority.

And so that the theoretical validity of my argument is backed by an immediately applicable course of action, I want to announce new proposals which I believe show the way forward.

These new measures are of two kinds: they further demonstrate the commitment of my Government to make what changes are needed to further liberalize trade with Australia, and they demonstrate the commitment of a number of countries, brought together in the Cairns Group, to work towards change at the international level.

Resolution of the difficulties facing the world trading system is not, and must not be allowed to be, a matter exclusively for the major trading nations. Smaller trading countries have a vital interest in the outcome and have a legitimate right to be represented forcefully at the negotiating table.

As you know the rationale for the GATT was set out in the 1941 Atlantic Charter. The intention was to ensure that, after the war, all countries "great or small, victor or vanquished" would enjoy "access on equal terms to the trade and to the raw materials of the world".

The contracting parties to the GATT, who came together some six years later after protracted but inconclusive negotiations to establish a more permanent régime of management, had fresh in their minds the experience of the 1920s and 1930s.

These were years in which the younger manufacturing nations were inhibited in trade by bilateral arrangements among the traditional European traders, and by other barriers to trade, investment and technology. World growth suffered. So, too, did world harmony. The tensions created by

these "beggar thy neighbour" policies came to a head in the global conflict of World War 2, with its incalculable cost in economic destruction and human misery and suffering.

Forty years ago the parties to GATT appreciated the importance of having a framework of rules that provide fairness, non-discrimination and openness in the complex trading environment needed to promote post-war recovery.

Although efforts have been made to update and refurbish it, the fact is that the world now demands more of the GATT framework than it has hitherto delivered.

We have just passed the first anniversary of the Uruguay Declaration and are approaching the end of the initial phase of the negotiations to update GATT to meet today's needs.

The Uruguay Round deals with a very broad range of subjects.

Nobody will be more familiar than this group with the fact that Australia's paramount concern in this new round of multilateral trade negotiations is agriculture.

But I do not wish to talk about agriculture exclusively, because my country, like many of yours, has other major interests. We are deliberately restructuring our economy to diversify and strengthen the base upon which Australia can engage competitively in international trade. We are already an exporter not just of primary commodities but of services and manufactures.

We aspire to still greater success in these areas and it is therefore very much in our interest that the negotiations succeed in opening up markets and freeing up trade in the services and manufactures fields.

Let me discuss these other issues first, before returning to the question of agriculture.

It is clear that without the development of global markets for services such as telecommunications and data services, without the rapid growth of international financial and insurance services, without rapid and flexible global transport, the total world market for goods would be very much smaller, and we would all be the poorer.

However, the services sector is bound, world-wide, in a network of regulations and restrictions which closely control the entry into, and investment in, the services sector, and even in some cases the physical delivery of services. Moreover, major exporters have demonstrated willingness to protect their service markets by bilateral agreements which by their nature are discriminatory. Clearly, it is in the interests of all nations, developed and developing alike, to ensure that the most efficient and cheapest services are available to all.

The historic declaration at Punta del Este recognized this when it called, for the first time, for services to be brought within the multilateral framework. None of us can afford to let this opportunity pass.

The clear objective of the Round must be to develop a non-discriminatory, multilateral framework for services which provides:

- steady liberalization and expansion of access to markets;
- effective transparency of national regulations on services; and
- workable procedures for the settlement of disputes.

To turn to trade in manufactured goods, we see a similar need for reform.

Since the end of the Tokyo Round, the United States and the European Communities have undone much of the good which flowed from the continuing reduction of tariff barriers by their proliferation of non-tariff barriers. Japan, for its part, has relied heavily on market access restrictions for its industry assistance régime.

UNCTAD and the World Bank estimate that about a sixth of industrial country imports from other industrial countries and more than a fifth of their imports from developing countries are now controlled by non-tariff barriers such as prohibitions, quotas, "voluntary" restraints by exporters and discretionary import licensing.

Overall, the use of such measures represents an increase of almost 25 per cent on barriers to industrial country imports since the end of the Tokyo Round.

Accordingly, progress in the market access negotiations is essential to halt and reverse the slide towards increased protectionism which we have all witnessed in recent years. These negotiations address directly the liberalization of trade barriers of both the traditional and so-called "new-protectionist" variety.

Unfortunately, the largest economies have not so far presented proposals which provide a basis for tackling these matters comprehensively, in conjunction with measures to reduce tariffs on a broad front.

Australia is seeking real progress in reducing the high levels of industry assistance that reduce the size of the international market and cut the gains from trade.

Let me turn, then, to what Australia is prepared to do in this respect.

In January this year I announced that Australia was prepared to participate in these GATT negotiations in a way that it had never agreed to do before. We said we are ready to negotiate bindings on tariffs in all sectors of the tariff. On that issue our good faith has been pledged already.

Today I announce that we are prepared to go even further.

The tariff is the most significant form of support for Australian industry.

We are prepared to negotiate a broad package of measures to reduce overall levels of effective assistance to Australian industry - including tariffs - as part of a broad-based multilateral approach.

In this context, we are prepared to eliminate, over an appropriate implementation phase, all quantitative import measures designed to protect domestic industry. This means we would phase-out all our quantitative restrictions, including tariff quotas, licensing and embargoes.

This is a radical approach - but it is the kind of radical approach necessary to provide the world with its best chance to capture fully the potential gains from trade.

It is an offer made in good faith, seeking to persuade our trading partners - and multilateral forums such as this - to see that we are willing to practice what we preach.

We will be looking to our trading partners, who employ a panoply of assistance measures, to reciprocate this offer by making a similar reduction in effective rates of industry assistance. And let me be clear: I am seeking from them cuts not only in tariffs but also in various non-tariff measures and subsidies.

Let me turn last but not least to agriculture - one area in which we have seen signs of an historic willingness on the part of GATT members to make progress towards reform. That I certainly welcome. But we are still far from agreeing to, yet alone implementing, effective solutions.

In January of this year I had the honour of delivering the keynote address at the World Economic Forum at Davos, and I used that address to draw attention to the crisis confronting world trade in agriculture.

My argument was that countries which endeavour to achieve domestic goals by distorting world trade are not only hurting others, they are hurting - and they are deluding - themselves.

Reform of agricultural trade would produce gains far beyond the agricultural sectors of our industrial economies.

For example, in the industrialized world, reform would reduce structural inefficiencies which have, for example, added one million people to the queues of unemployed in the European Community - predominantly in manufacturing.

Developing countries with onerous debt burdens would gain from agricultural trade reform because they could comfortably trade out of their problems if they could get a fair return for their agricultural produce.

If world prices for many agricultural goods were allowed to rise to undistorted levels, the agricultural sectors of many developing countries could become engines of growth.

At Davos I welcomed the commitment of the GATT members at Punta del Este to negotiate on agriculture in the Uruguay Round. It presents an opportunity for reform which we literally - all of us - cannot afford to refuse.

In the approach which I proposed for resolving the crisis in agricultural trade I then called for an immediate ceasefire in the subsidies war. I said sound principles must be developed to govern world agricultural trade, recognizing the realistic need for transitional support in some cases while reform proceeds.

Given all this, I was pleased to see that the OECD Ministerial Council and the Venice Summit strengthened the resolve of industrialized countries to reform agricultural trade.

Within the Uruguay Round itself, the United States proposed a bold and imaginative plan for the elimination of distortions in the agricultural markets in which both the United States and its trading partners participate.

We in Australia recognize that the thrust of the United States proposal is towards truly liberalized trade in agriculture - and we welcome that.

But much as I applaud this general position, I am bound to say - and it will come as no surprise to my friends in the United States that I do so - we have reservations about its lack of completeness.

Along with many of our colleagues in the Cairns Group, we believe that the American proposals fall short of providing the necessary basis for reform. Two deficiencies deserve particular mention.

First, there is no acknowledgement of the need to provide early relief from the distorting effects of the existing arrangements, evidenced by undertakings to begin soon the task of reducing subsidies.

Second, it does not adequately recognize that greatest responsibility for reform rests with those whose policies are causing greatest damage to world markets.

Now in case it seems that I am singling out the United States let me straight away correct that impression.

The European Community has yet to table its formal proposal - but the indications to date are that it is prepared to make the historic decision to negotiate. But I must add that, as we understand them, the measures in contemplation do not go far enough. To be credible, the Community's approach must make an explicit commitment to liberalization. Far-sighted, creative proposals are needed soon.

Further, there are also countries tempted to argue that since they are not significant exporters they have a lesser responsibility. But they should remember that their highly restrictive import régimes contribute just as much as heavily subsidized exports to the problems of world markets.

The fact is that efficient agricultural exporters - including Australia - are fed up with being caught in a crossfire of competitive subsidization by the United States and the European Community. We are also fed up with being denied access to legitimate markets.

It was to express this frustration that Australia, along with other agricultural producers who are increasingly anxious about the growing tide of protectionism, joined together to form a third force in trade negotiations - the Cairns Group.

These countries represent some 550 million people, account for one-quarter of the total amount of agricultural exports, and have suffered enormous damage because of agricultural protection.

It is my pleasure today to present, on behalf of the Cairns Group, our proposals which we believe not only meet our interests but also provide a framework for reform which will ultimately benefit all parties.

The proposal is comprehensive and it is far-reaching. It will be formally tabled by the Cairns Group at the Agriculture Negotiating Group meeting next week.

It contains three elements.

First, the overall objective of the proposal is to establish a long-term framework within which agricultural production and trade can take place with minimum distortion and disruption. We must go as far as possible towards eliminating all agricultural subsidies and access barriers. This long-term framework would be supported by new or amended GATT rules.

Second, recognizing the truly massive scale of structural distortions which we all must tackle, the Group proposes a reform programme, whereby countries would negotiate commitments to reduce trade-distorting policies using defined rules.

Unlike other proposals, this programme assigns priority to phasing out those measures which most disrupt trade. The European Community, the United States and Japan obviously bear a particular responsibility here.

Two other features of the programme deserve mention.

The programme calls for international co-operation to minimize the impact on trade of regulations protecting human, animal or plant health. These regulations should not be used as unwarranted barriers to trade.

It also proposes a surveillance mechanism to avoid any circumvention of remedial action, to ensure that remaining or new measures do not impede the reform process and to ensure compliance with undertakings.

The third major element of the Cairns Group proposal reflects our recognition that such a reform process is gradual and must be bolstered by specific early relief measures.

Cairns Group members take no comfort from the assurances of the major economies that their subsidies are not aimed at us. What matters is that they are hitting us. Indeed our casualties are greater than those of the protagonists.

Efficient producers are being forced out of the market, to the long-term detriment of all consumers.

Therefore the proposal calls for early relief in the form of:

- a freeze on access barriers, on production and export subsidies, and on unjustified health regulations;
- a political commitment to the responsible management and non-disruptive release of stocks; and
- a concerted multilateral cutback on all export and production subsidies, coupled with a commitment to increase access opportunities.

The proposal recognizes the reality of uneven stages of development in various countries and their industries.

It provides for the principle of differential and more favourable treatment for developing countries to apply to the agricultural reform process. This is consistent with the GATT itself and the Punta del Este Declaration.

Realism demands that certain exceptions will have to be allowed if the will for reform is to be translated into action. Therefore the proposal allows scope for a strictly defined list of support measures to continue if they have a negligible effect on output and trade.

The Cairns Group believes that its proposal provides a firm basis on which to proceed into the substantive negotiating phase.

We will be aiming to achieve agreement on the parameters for the reform programme by the end of next year, or sooner if possible, so that the early relief measures can be implemented immediately thereafter.

We will be aiming to agree on the details of the reform programme and implement them from the end of 1990 at the very latest, with a maximum phase-in period of 10 years.

I recognize that this timetable is ambitious. But the trade crisis calls for urgent measures. Such measures should indeed be achievable given the sincerity of the commitments made by the leaders of industrialized countries of urgent agricultural reform.

Ladies and gentlemen, last week in Vancouver the Commonwealth Heads of Government Meeting issued a declaration on world trade.

In that declaration the Commonwealth - representing some 50 nations and one quarter of the world's population - expressed its opposition to continued protectionism and correspondingly, our strong support for trade liberalization.

It supported a strong, credible and working GATT and welcomed the Uruguay Round of multilateral trade negotiations. It agreed on the crucial need for reform of trade-distorting agricultural policies. And, most significantly, it expressed hope for an "early harvest" from the negotiations on agriculture and other key subjects.

The Vancouver Declaration is only the latest demonstration of the growing world-wide momentum towards the achievement of trade liberalization.

Forty years after the establishment of GATT, the international trading system is corrupted and ailing. The members of GATT have a fundamental choice to make.

We can do nothing, decide that it is all too hard, plunge the world into escalating protectionism and the heightened global political tensions that would inevitably follow.

Or we can decide to add to the momentum of reform, moving forward, co-operatively dismantling the barriers to trade, improving the economic well-being of all nations and making an invaluable contribution to the prospects of world peace.

I have often remarked on this paradox. The remarkable capacities of the human mind in the realm of scientific and technological engineering have almost continuously dazzled us in the post war era.

Telecom '87 which I visited this morning reminds us vividly of this seemingly endless capacity. But there has been no symmetry with that genius in our demonstrated capacity in social engineering.

This is, of course, not so much a matter of failure or dysfunction of the mind but a failure of political will.

If we are not prepared now to grasp the challenge and the opportunity before us, history will harshly and properly judge us as the incompetent perpetrators of that tragic pattern. For us the prospect of such a judgement should be incentive enough. For me, even more damning would be that we simply were not sensible enough to perceive and pursue what enlightened self-interest makes so glaringly obvious.