

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

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NEGOTIATING GROUP ON AGRICULTURE

Reductions in Assistance for Australian Agriculture

Statement by Australia

(10 June 1988)

I should like to take the opportunity of this meeting of the Agriculture Group to inform participants of some of the recent decisions taken by the Australian Government to further liberalize our agriculture sector.

While Australian agriculture is already largely efficient and lightly assisted, these are steps in keeping with the objectives of the Uruguay Round negotiations in this Group to achieve greater liberalization of agricultural trade.

The Australian Government announced on 25 May 1988 significant reductions in assistance and protection across the Australian economy.

These reductions are part of a package of measures designed to reduce distortions in Australian industry and to encourage a more internationally competitive and outward looking industrial structure.

They provide an indication of my Government's commitment to liberalizing trade and contributing towards a strengthened and open multilateral trading system.

The agriculture sector has been included in these general reductions in assistance. There has been a total reappraisal of rural assistance and the reforms which have been announced constitute further reductions in the protection accorded agriculture.

These reforms will increase the transparency of government assistance, and further shift the emphasis of this assistance away from border protection and towards measures to promote competitiveness and structural adjustment.

I should like to outline some of these reforms to the Group.

A key component of the package of measures announced on 25 May was the decision to significantly reduce tariffs.

Tariff reductions are to be phased in over a four-year period, so that by 1 July 1992:

- industries with tariffs which currently exceed 15 per cent will have a maximum tariff of 15 per cent; and
- industries with tariffs between 10 and 15 per cent will have a maximum tariff of 10 per cent.

In addition, a revenue duty of 2 per cent is to be abolished.

Tariffs on agricultural products in Australia are already low and these measures therefore will have less effect across the board on the level of border protection afforded Australian agriculture.

There are, however, some notable changes that I should like to emphasize.

The embargo on imports of sugar will be replaced by ad valorem tariffs of 35 per cent on raw sugar and of 25 per cent on refined sugar. These tariffs are to phase down to 15 per cent by 1 July 1992. The current pricing arrangements which set artificially high domestic prices will also be terminated when the Commonwealth-Queensland Sugar Agreement expires on 30 June 1989.

The general specific rates of duty on tobacco will be replaced by an ad valorem tariff of 25 per cent, which will be phased down to 15 per cent by 1 July 1992. Termination of the concessional rates will occur from 1 July 1993 with the consequent end of the local content plan.

Other steps have been taken to reduce assistance by Government to farmers.

Supplementary market support for butter and butteroil will be phased out by 1 July 1989.

For some time, programmes of assistance to Australian industry have been, as a matter of general principle, automatically sunsetted. For example, assistance to the wheat industry is currently being reviewed.

A set of principles for the price underwriting arrangements for agricultural commodities will now be introduced to apply when present assistance to the industries concerned is reviewed. These principles are as follows:

- (a) the underwritten price should be set at a level which ensures that price underwriting is triggered only by extraordinary downward price movements;

- (b) industry should assume increasing responsibility for meeting the costs of reducing price uncertainty;
- (c) the reference price should be closely aligned to world prices. Where a formula is used to determine the reference price it should be based on a sufficiently short time frame to ensure that international price developments are not masked from producers;
- (d) as far as practicable, the underwritten price should be announced in time to be taken into account in determining the current season's production; and
- (e) there should be transparency in the calculation of the reference price and estimates of the relevant reference prices should be regularly updated and publicly announced.

These initiatives are intended to ensure that producers assume a greater degree of responsibility for responding to the vagaries of the marketplace and that the level of support inherent in the underwriting arrangements is reduced in line with general reductions in industry assistance.

Agricultural assistance in Australia is already oriented, to a significant degree, to assisting the rural sector in the process of restructuring and adjusting to changed market conditions. The present reforms will increase this orientation and further promote the market-led adjustment in Australian agriculture which has taken place during the 1980's.

Trade liberalization will only occur when governments accept that liberalization of protective measures and structural adjustment are one and the same.