

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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COMMUNICATION FROM AUSTRALIA

The following communication has been received from the delegation of Australia on 29 June 1989 with the request that it be circulated to participants of the Surveillance Body.

ASSESSMENT OF DEVELOPMENTS RELATED TO THE
STANDSTILL AND ROLLBACK COMMITMENTS
SUBMISSION BY AUSTRALIA

The Trade Negotiating Committee's (TNC) mandate at its July meeting to conduct a substantive evaluation of the implementation of the Standstill and Rollback commitments and its impact on the multilateral trade negotiations process is an important one and comes at a very appropriate time. The success of the mid-term review is encouraging for the achievement of real progress as the negotiation process enters its final stage. The standstill and rollback commitments are part of the Uruguay Round's broad mandate for trade negotiations and are a key element of the Punta del Este Declaration. While often referred to as reflecting "political" commitments to the negotiations and therefore not conveying any enforceable obligation, they are also recognised as offering real and specific opportunities for trade liberalisation. Hence the commitments are important to the success of the Round: both as an expression of political support for its objective of trade liberalisation and as a means of notification, discussion and possible withdrawal of measures that violate the standstill and rollback commitments.

The effectiveness of the Standstill/Rollback procedure has been mixed. It has not been unconditionally successful, but neither has it been a failure. To a considerable extent it reflects the overall negotiating environment of the Round. The April TNC Agreement and its achievements, many of which were the outcome of compromise, establish an appropriate framework for the evaluation exercise. This realistic approach was more recently reflected in the Communique issued by the OECD after the Ministerial-level Council Meeting on 31 May and 1 June. The Communique noted that the strong growth in the volume of world trade over the past year has had "only limited effect on

the existing large number of trade restrictive measures and practices". Ministers rejected the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens the multilateral system and undermines the Uruguay Round negotiations. They also expressed their determination to halt and reverse all such protectionist tendencies and to strengthen the multilateral trading system. They expressed commitment to fulfilling their Punta del Este standstill and rollback commitments and to avoiding any discriminatory or autonomous actions which undermine GATT principles and the integrity of the multilateral trading system, in conformity with the standstill commitment.

Australia attaches considerable importance to the Standstill and Rollback commitments, demonstrating our commitment to the Round and its objective of trade liberalisation. We are therefore disappointed by the modest effectiveness so far of the standstill commitment. Until May 1989, 23 standstill notifications have been lodged, and to date, in only one case has the notifying participant withdrawn its notification following a satisfactory response by the notified contracting party. Australia has made two standstill notifications: one relating to Sweden's levies on sheepmeat which we consider to be inconsistent with paragraphs (ii) and (iii) of the standstill commitment; and the second relating to the United States' extension and increased funding of the Export Enhancement Program (EEP) as a breach of paragraphs (i) and (iii) of the commitment. So far we have not received any satisfactory response from either of the respective Contracting Parties.

We have also taken advantage of the particularly useful "early warning" element of the commitment, which enables discussion of proposed legislation and other actions affecting trade. Some important successes were noted in the Report by the Chairman of the Surveillance Body to the Montreal Ministerial-level Meeting. While it is difficult to be precise, we believe this "preventative" element of the

Surveillance Body's mandate has been a positive contribution to the objectives of the Standstill/Rollback exercise.

The record so far on the rollback commitment is particularly disappointing. Japan is the only contracting party to have notified rollback action. We commend this example but also wish to note our concern that Japan has not fully satisfied its undertaking. We have noted in the Surveillance Body our concern that Japan is being selective in its implementation of the GATT panel recommendations.

We regret that the EC has not yet followed up on its roll-back offer. The example the EC would set for further roll-back offers could challenge the current impasse besetting this commitment and set a precedent for an equitable response.

Australia continues to believe that the existing procedures of the rollback commitment in no way prevent undertakings. Political will is the missing ingredient. Stricter procedures, including specific timetables, are not the answer in seeking to strengthen this commitment. We note the Chairman's comment in his Report to the Montreal meeting that the target of 30 days for beginning the process of consultations following receipt of rollback requests is often not met. The process would be strengthened if such existing procedures were better observed.

A way to give focus to the rollback commitment, building on the language of the TNC's mid term review agreement, would be to have the TNC agree at its July "evaluation" meeting that the first minimum step towards building an effective program of rollback measures would be the full and complete implementation without delay of all outstanding panel reports adopted by the Contracting Parties. Such agreement would demonstrate a greater commitment to obtaining practical results for Standstill/Rollback and the Round.

A demonstration of both political and substantive commitment to the success of the Uruguay Round is implicitly recognised in Australia's comprehensive program of trade liberalisation measures. Recent examples of trade liberalisation measures include removal of import licensing controls on certain types of used, second-hand and disposals equipment. Since the Government's May 1988 Economic Statement, considerable progress has been made in implementing its decisions aimed at achieving a restructuring and redirection of Australian industries in all sectors. Parliament has recently passed legislation implementing new wheat marketing deregulation arrangements. The Government is also proceeding to reform marketing arrangements for a number of other primary products including sugar, tobacco, dairy products, citrus, apples and pears, dried vine fruits and wine with a view to aligning domestic prices closely with internationally traded prices. Legislation has been introduced that will establish new tariff levels to support the changes, which will be in line with the general tariff reforms announced in the May 1988 Economic Statement, with tariff levels being phased down to 15 percent or 10 percent by 1992.

It is relevant to note in a submission on evaluation of a multilateral surveillance body that much of Australia's reform liberalisation program has been guided over many years by the information circulated from Australia's domestic surveillance organisation, the Industries Assistance Commission (IAC). We are convinced that the existence of such domestic bodies in other countries would assist contracting parties in fulfilling their Standstill/Rollback commitments.

Australia welcomes the progress achieved at the April TNC but our experience in evaluating the Surveillance Body's efforts to implement the Standstill/Rollback commitments emphasises the need for all contracting parties to work even more constructively together over the next 18 months in the difficult task of achieving a successful outcome to the Round.