TRADE POLICY REVIEW OF AUSTRALIA
3 - 4 FEBRUARY 1994

GATT Council's Evaluation

The GATT Council conducted its second review of Australia under the trade policy review mechanism (TPRM) on 3-4 February 1994. Australia, in December 1989, was the first GATT member reviewed under the TPRM by the Council.

The new Council Chairman, Ambassador Mounir Zahran, noted the following general observations made during the review:

"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."

The text of the Chairman's concluding remarks is attached as a summary of the salient points which emerged during the two-day discussion of the Council.

The TPRM enables the Council to conduct a collective review of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.
The review is based on two reports which are prepared respectively by the GATT Secretariat and the government under review and which cover all aspects of the country's trade policies, including its domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; the wider economic needs; and the external environment.

These two reports, together with a record of the Council's discussions and of the Chairman's summing-up, will be published in the Spring as the complete trade policy review of Australia. It will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.
TRADE POLICY REVIEW MECHANISM

Review of Australia. 3-4 February 1994

CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. 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

2. 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.

3. 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.

4. 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

5. 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.

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6. 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

7. 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.

8. 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.

9. 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.

10. 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.

11. Further 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.

12. 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.

13. 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 sector. Even in these areas, considerable reductions had been made and non-tariff barriers removed. The tariff reduction programme would also sharply reduce escalation.

14. 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

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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.

15. 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 Sanitary and Phytosanitary Agreement emerging from the Uruguay Round.

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

17. 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 were subject to anti-dumping actions; moreover, the number of cases had fallen in 1993.

18. 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.

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

20. 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

21. 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.

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