Mr. Chairman, the Australian Minister for Trade (the Rt. Hon. John McEwen) has asked me to express his regrets that it has not been possible for him to be present today. Only his pressing commitments in Parliament have prevented his attendance. Speaking on his behalf, as I have been asked to do, I shall indicate the Australian attitude on what we consider to be the major task of the Contracting Parties at this Session. Put simply, it is to ensure that the regional interests represented by the proposed European Economic Community will be harmonised in the wider trading community represented by GATT.

The Australian Government endorses the comment on page 257 of the GATT publication "International Trade 1956" that a satisfactory adjustment in the G.A.T.T. framework of the problems presented by the proposed European Common Market and wider Free Trade Area is essential if the search for regional integration is not to risk a disintegration of the world wide multilateral trading system which has been so painfully reestablished in the years since the War.

Trade and economic developments since 1947 have not shaken the belief of the Australian Government that the objectives of the GATT as expressed in Article I, are not only sound, but that the consequences of departing from them would be too serious for us to wish to contemplate.

The Contracting Parties jointly and severally have gone a long way in the last ten years in such matters as raising living standards; promoting and maintaining full employment; increasing real income; expanding production and trade; and progressively developing their economies along sound lines.

However, it is not an exaggeration to say that the future value of GATT as a set of fair trade rules, depends on our being able to ensure that it will work as a balanced instrument equally well and equally fairly for the interests of all Contracting Parties - be they European or non-European, developed or under-developed. A situation which is contrived so that it favours one party or group at the expense of another cannot be an enduring bargain. True, we cannot look for perfection in such a document as GATT. But if compromise it has to be, we must ensure that obligations and benefits are balanced for all.

In its examination of the Treaty of Rome the Australian Government has fully recognised that it is the result of long and difficult negotiations to bring about closer economic integration in Western Europe. The Australian
Government appreciates that closer economic association can contribute materially to the creation of greater political unity. It is, therefore, seized with the political as well as economic and trade significance of the Treaty.

As Australia understands the Treaty, its broad objectives, for the geographic area to which they will apply, are very similar if not identical with those of the General Agreement. These objectives, as stated in Article I of the Rome Treaty, are "to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States."

There surely is nothing incompatible between these objectives and those of the General Agreement. Indeed, the Treaty of Rome (Article 234) expressly provides that the actions of the Community in pursuit of its objectives must be in harmony with international obligations of its Members. Not the least of the obligations of Community Members are those which they have individually assumed under the General Agreement.

In considering the matter now before us we need to keep in mind not only the objectives of GATT but also that GATT was founded upon certain premises. It was intended, as I have said, to be a balanced instrument taking into account the nature of the trade interests of various countries. Non-discrimination was to apply as the general rule in international trade. The tariff was to be the only regular instrument to provide protection for domestic industry against imports. The use of subsidies to the detriment of fellow contracting parties was to be eschewed. Other import barriers, except in very limited special cases and chiefly in connexion with temporary balance of payments difficulties, were to be done away with. Tariffs themselves, and therefore the protection afforded by them, were to be reduced through mutually beneficial negotiations so that the general objectives of the trading world associated in GATT could be reached. That in essence is the broad concept of GATT.

When the proposals for an international trade charter were being considered a decade ago the need was recognised to make provisions for the formation of customs unions.

Obviously for the countries comprising a customs union, the removal between themselves of all tariff barriers and other restrictions upon trade represents the very ultimate for them in their dealings with each other so far as the objectives of GATT are concerned.

However, the ultimate for the customs union countries in the cosy domesticity of their mutual trade relations could easily be accompanied by - in fact it could lead to - the creation of new obstacles to the trade of countries outside the customs union; and thus to serious impairment of the basic objectives of the wider trading community in GATT.
It was to prevent this, whilst at the same time facilitating and indeed encouraging the formation of customs unions and free trade areas, that Article XXXV was included in the General Agreement.

In stating the general views of the Australian Government on the compatibility of the particular proposals before us with the General Agreement I shall need to deal with them not only in the context of the relevant precepts or premises of GATT but also as they relate to the relevant current practices of Contracting Parties, including the Members of the European Economic Community.

The Australian Government would wish to give in this forum its wholehearted support to the proposals of the Community if it could be confident that they offered real prospects of the abolition of tariffs and other barriers to trade between the parties thereto without creating new barriers to trade with outside countries. If necessary, it would lend its support to any measures which the Contracting Parties may be asked to take to give reality to this prospect.

The signatories of the Rome Treaty appear to have faced a difficulty in respect of several major aspects of their plans - agricultural arrangements between themselves; certain aspects of the trading arrangements for the associated countries and territories; the level and method of arriving at a common external tariff; and the method and extent of their future use of internal and external restrictions other than a common tariff to achieve their objectives. Their difficulty appears to be how to do what they want to do consistently with the GATT.

No doubt their difficulty in respect of these matters will be argued in detail later. But it is proper that the view of the Australian Government should be put here in this plenary session and an indication given of the line the Australian Delegation will be taking in subsequent discussions at this Session and later.

The Australian Government understands that in respect of agriculture - where little beyond objectives and a general indication of intentions are as yet available - the arrangements provided for in the Treaty, both for the transitional period and afterwards, are designed not to bring about free trade in agricultural products between the Community countries, but rather to constitute a system of managed or regulated trade. This is the antithesis of free trade.

Article 40 of the Treaty states that a common organisation of agricultural markets shall be effected. This may take the form either of common rules concerning competition, or compulsory co-ordination of the various national market organisations, or a European market organisation. Paragraph 3 of Article 40 says that the common organisation may be made effective through all measures necessary to achieve the objectives of the common agricultural policy, in particular, price controls, subsidies as to the production and marketing of various products, arrangements for stock-piling and carry forward, and common machinery for stabilizing importation and exportation.
The Australian Government cannot easily envisage how minimum price controls on agricultural commodities within the Six could be made to work effectively without internal and external trade restrictions. Nor could most forms of marketing arrangements, State trading, monopoly import and stabilisation schemes aimed at stock-piling and carrying forward. Such schemes as operate today - be they under special waiver, or under conditions permitted by GATT, or not actually disapproved by GATT - require external quota and other restrictions. The use of such restrictions as an integral part of a customs union would clearly appear to be in conflict with the requirements of Article XXIV. And how "importation and exportation" might be "stabilised" by the Six without recourse to restrictions, nobody - including the Six - would appear to know at this stage.

Moreover, the Australian Government has good reason to fear, both from the answers given by the Six to some questions asked, and from the present use of non-tariff devices by some Members of the Community to protect agriculture, that the effect of the agricultural regime outlined in the Treaty will, and must be, to raise barriers to the trade of other Contracting Parties. In effect it would appear to us that the Treaty holds out the real possibility of an aggregation and intensification of the restrictive and protective practices of the individual Members.

I should now like to quote from the reply by the Interim Committee for the Common Market to question 45:-

"The measures provided for on the establishment of the Common Market are applicable to agricultural products by virtue of the terms of Article 39 to 46 inclusive, and these make allowance for the special conditions in agriculture, which have led throughout the world to the adoption of special systems in this sector of the economy."

In other words, the Six seem to reason that what they propose to do is what elsewhere in the world other Governments, and indeed they themselves separately, are doing in respect of agriculture. They appear to argue that their proposals to continue to do so should be accepted as justified by the peculiar circumstances of agriculture and entitle them to receive a gloss in terms of Article XXIV requirements.

The attitude of the Australian Government is that, even if it is true that some countries are using such devices in connexion with agriculture in a manner contrary to GATT, the special restrictions and devices, which at this stage must be regarded as part and parcel of the proposals of the Community for agriculture, do not permit a ruling by the Contracting Parties that the conditions of paragraph 5 of Article XXIV have been or are certain to be met.

On the other hand, it is because Australia believes - and apparently the Six agree with us - that tariff measures are not always appropriate for dealing with agricultural problems, that we have consistently contended that non-tariff measures should be arguable and indeed negotiable matters in GATT.
It is because there appear to us to be no effective bounds to the present degree of agricultural protectionism both inside and outside the Six that we are apprehensive as to the future prospects for international trade in agricultural products. We are therefore concerned as to what can be done under the General Agreement, and in pursuance of its objectives, to deal with this general problem, which has been brought to a head by the Treaty of Rome. The problem is, how can exporters of agricultural and raw materials in their dealings with industrialised countries secure for their trade, benefits and treatment equivalent to those which industrialised countries, such as the Six, enjoy as a result of the tariff concessions and m.f.n. treatment they have secured under GATT.

Mindful of developments that affect world trade in the inter-war period, the Australian Government is gravely concerned as to the future outlook for world trade in agricultural products. It is not one in which every prospect pleases. It is the view of the Australian Government (and it would appear, of the Six also) that it is now as evident as it is ever likely to be that GATT, as at present framed, is not a practical arrangement for ensuring that barriers to trade in agriculture are limited or lowered. The Australian Government believes that the effects of current policies of agricultural protectionism by industrial countries - and the proposed policies of the Six - are so important as to warrant early, serious and concurrent consideration of the Contracting Parties.

The Six confidently express their belief that the creation of the European Economic Community will contribute to the expansion of world commerce. Increased European prosperity, they say, will enhance the trade everyone will enjoy in their markets. Australia readily recognises that there would be real trade benefits if higher standards of living and increased purchasing power in Western Europe were to lead to greater imports of food and raw materials from third countries. But there would be disadvantages for us and for other countries if the Treaty led to the entrenchment of policies of self-sufficiency in the agricultural sector.

Just look at what has been happening in Western Europe since the late 'thirties. Remember that in recent years in Western Europe population increases have been substantial, national income levels have boomed, and full employment has been the general rule. Yet imports of bread grains have actually declined since then by some two million tons, coarse grains by around three million tons, rice by nearly one million tons, sugar by half a million tons, meat by about three quarters of a million tons and cotton by a quarter of a million tons. These are products which Western Europe can produce or which she can partially replace by substitutes.

It is true that imports of some raw materials, such as wool rubber and metals have increased; but even imports of certain tropical products, have either declined or barely increased. However, it is noteworthy that imports of tea, coffee and cocoa as a group were in 1954 slightly below the pre-war level. What a disquieting picture this is against a background of possibly increasing protectionism.
A comparison of production and import levels in pre-war and post-war periods gives a significant picture of the trend towards self-sufficiency in Western Europe, and its economic consequences. Using constant 1950 prices, the value of production of some dozen major agricultural products increased by more than 2,500 million dollars between 1934-38 and 1952-54. Net import trade in these commodities declined by some 1,000 million dollars over the same period. The commodities I have taken are those which can be readily produced in Europe.

The writing on the wall should be easily apparent to Contracting Parties from the fact that the balance of trade position of non-industrial areas has steadily deteriorated. Non-industrial countries (as defined in "International Trade") incurred a total trade deficit of about 1,000 million dollars in 1956 as compared with a break even in 1954 and a surplus in 1937 of over 3,000 million dollars. All of these figures are based on 1956 prices of industrial goods.

If to the huge trade deficit of 1956 there is added the very considerable deficit in payments due to invisibles, including freight, it is apparent that unless a very much enhanced rate of investment in non-industrial areas is maintained from industrial areas (and the Treaty holds no comfort here) the time is very close when the industrial countries will face a severe curtailment of their export trade. This because of its size could not easily be compensated by increased trade among the industrial countries themselves.

Australia would suggest that it is important in the interests of retaining a balance of rights and obligations for all countries in GATT and of making progress towards its objectives, that all in GATT, including the Six, should deal with the problem of agricultural protectionism while the Six are still considering and developing their plans for agriculture. As an approach to the problem, Australia would propose that GATT recognise that tariffs are neither the main nor the normal, nor in many circumstances, suitable methods of agricultural protection. We believe that a way must be found in GATT for dealing with levels of protection achieved through non-tariff devices by the same kind of bargaining processes as have been used so successfully for tariffs alone. In this way the activities of the Six in the field of agriculture could be harmonised with GATT.

I now want to refer briefly to one or two other aspects of the Treaty of Rome. Among other points, the Australian Delegation in subsequent discussions would welcome a clarification of the compatibility with Article XXIV of the tariff proposals of the Six, including the treatment of bound items and the practical manageability of what, under present known conditions, would need to be a widespread use of Article XXVIII.

The provisions in the Treaty for the use of import restrictions for balance of payments and other reasons also seem to suggest that without a clearer definition of their scope and use they could not from what we now know be presumed to be in strict compliance with either the provisions of Article XXIV or certain other Articles of GATT.
Then there is the question of the association with the Community of certain overseas countries and territories.

The trade effects for outside countries arising from the provisions relating to the association of overseas countries and territories could be broadly similar to the effect for some Contracting Parties of the arrangements in the Treaty in respect of agriculture. In many cases they would be identical. The full scope of the new preferential arrangements in so far as trade from the associated countries and territories to the Community is concerned is not yet known since the duties and non-tariff devices of restriction on many commodities remained to be determined. It appears, however, that it could be considerable.

There is also the effect on those countries which have, or might have, expectations of obtaining important markets in the associated countries and territories. Thus, the plans of the Six could curtail imports from non-European countries and at the same time the plans for the associated territories could also limit trade opportunities for non-European countries in these alternative markets.

It therefore appears to the Australian Delegation that, apart from the conflict with the principles of Articles XXIV, a great number of Contracting Parties might be adversely affected by the proposals of the Six. Furthermore, while we are aware of the political and social considerations which have influenced the provisions for the associated countries and territories, we consider that care should be exercised by the Contracting Parties, including the members of the Community, to ensure that in the application of this part of the proposals of the Six the general and continuing interests of all under-developed areas are fully taken into account.

CONCLUSIONS

In conclusion, I am instructed to say that Australia from its understanding of all that is involved and at stake in the proposals of the Six would not wish to stand in the way of the development of either a Customs Union or, in the case of the associated countries and territories of a Free Trade Area. But we are bound to take the view that the proposals so far as they are known and expressed do not adequately meet the requirements of Article XXIV.

We consider that this conclusion can be reached whether the matter is approached from the strictly legal viewpoint of the compatibility of the Treaty with the various provisions of Article XXIV or from the wider concept of the basic principle which we consider underlies that Article, namely that whenever Contracting Parties concur in the formation of a Customs Union they should not be denied a share in the increased trade that such a Union may be expected to bring about.
We have to suggest therefore that the Contracting Parties can, at this stage, do nothing more than inform the members of the Community accordingly and recommend to them the following:

(1) In connexion with agriculture, the Six should formulate their plans in detail and provide the safeguards to ensure that the fruits of economic progress within the Six can be shared to an appropriate and (what is more important) identifiable extent with other Contracting Parties.

(2) In the meantime, the Australian Government suggests that a Special Committee of the Contracting Parties be set up to consult with the Six on their developing plans and to bring to an early Session of GATT proposals for examining and dealing with the problems of agricultural trade as related not only to the plans of the Session to the practice of all countries in this field of trade.

(3) We would further suggest that the Contracting Parties examine the desirability of the appointment of a panel of top flight technical experts to examine and report on the problems of agricultural protection and its relation to the world trade objectives of GATT.

(4) On some other matters, including the proposals for the associated countries and territories the proposed use of quota restrictions and the proposed treatment of bound rates, the Special Committee should be asked to consult with the Six and endeavour to work out with them an arrangement which would accommodate their developing plans with the requirements of GATT and safeguard the trade interests of individual Contracting Parties. It should make recommendations then to the GATT for appropriate action.

Mr. Chairman, my Government’s approach, as I have shown, is to be constructive; but we would be blind not to recognise that this new grouping in Europe could produce major disadvantages for us and for other countries. With them we have collaborated for over a decade to produce a multilateral system designed to free the world from the commercial frictions which bedevilled it in our youth. We admire the efforts of the Six countries to build something which could make an outstanding contribution to that same objective. The task for the future is to see that the results of these efforts do not derogate from our joint achievement so far; but enhance it. That is a task we must shoulder collectively.