The Australian Deputy Prime Minister and Minister for Trade (the Rt. Hon. John McEwen) has asked me to express his regrets that urgent duties associated with the forthcoming Election in Australia have prevented him from being present today. He has asked me to speak on his behalf.

All the important items on the Agenda for the Session raise major issues connected with trade in primary products.

These issues were very much in the minds of the Contracting Parties when, at the Twelfth Session, they took their decision to set up a Panel of Experts, to examine trends and developments in international trade.

This was a constructive and positive step which has led to the preparation of the important document "Trends in International Trade". Other speakers have already expressed their thanks to the Panel, and in doing so have commented upon various aspects of the report. I do not want at this time to repeat what has already been said but I do want to join the Australian delegation in the tributes which have already been paid to the Panel.

But they will be empty tributes, and the work commenced at the Twelfth Session will be abortive unless we can now, through practical and constructive measures of international economic co-operation, seek solutions of the problems to which the Panel has drawn attention.
What are the main factors underlying these problems? In the Australian view they are:

1. The slowing down of the rate of economic growth, and, in some important cases, the actual contraction of activity in industrialized countries, which became so apparent last year.

2. Excessive protectionist policies used by industrialized countries, leading to high cost production of primary products in those countries.

Turning then to the first factor - the importance of a recovery in the level of economic activity and a resumption of continued economic growth in the industrialized countries is quite apparent to all of us.

Even though the bottom of the trough seems to have been passed in the United States, the position in Europe still gives grounds for uneasiness; and we certainly agreed with Sir David Eccles when he pointed out that there seem no grounds for thinking that there will be much recovery in basic commodity prices in the foreseeable future.

This emphasises, to our mind, the seriousness of the problem now being faced by all those countries which rely mainly on primary commodities for their export income.

Most such countries experienced a considerable reduction in their export earnings in 1957 - this, notwithstanding that the overall level of world trade increased by 7 or 8 per cent in that year.

The same position has been evident thus far during 1958, when there has been a further contraction in the value of United States and European imports of primary products as a result of still lower prices for most primary commodities.

The overall trading position of primary exporting countries has been rendered even more difficult by actual barriers to trade exemplified by such actions as the restriction by the United States of imports of lead and zinc.

This worsening situation has brought about the imposition or intensification of import restrictions for balance-of-payments reasons by a number of countries. Others have only been able to avoid such measures by a much greater dependence on receipts of international aid or loan finance.

In Australia's case, export income fell by over 15 per cent between 1956-1957 and 1957-1958. To take a more recent period, exports in the last six months show a fall of more than 20 per cent compared with the same period a year ago, and we can at this state see no likely prospect of improvement.
Nevertheless, although our international reserves have fallen by over £A 100 million, or more than 15 per cent, since the beginning of 1958, we have continued to maintain unchanged the level of our imports. The Australian Government has taken this decision partly because it has no wish to disrupt Australia's development programmes, and partly because of its awareness of the harmful effects of import cuts on the trade of other contracting parties.

Turning now to the second factor — while production generally was expanding at a high rate in the industrial countries, the most serious effects of their policies of protection and the resultant high cost production of primary products were partially offset, or masked, by the exceptionally high level of world demand for raw materials and foodstuffs. The underlying difficulties of the situation stood clearly revealed following the check to world economic expansion.

A fall of the order of 5 per cent in the value of exports of under-developed countries can completely offset all the aid and foreign investment they receive. It is clear, therefore, that adequate opportunities for trade, and fair prices for their exports, are basic requirements for the economic growth of the less developed countries. Unless these conditions are fulfilled, foreign aid programmes can be rendered meaningless.

Protection of primary production (and I have in mind mining as well as agriculture) is carried out by measures which can be very broadly classified under three headings:

- subsidies;
- state trading operations; and
- quantitative restrictions of imports.

The use of such measures, particularly if coupled with bilateral trading arrangements of a discriminatory nature, results in a reduction of market opportunities for, and depressed prices of, primary products produced under normal competitive terms and available for sale under normal market conditions.

Although the immediate effects of these policies are felt by the primary producing countries, the long-term effects must be felt by all countries.

The primary producing countries cannot maintain, let alone expand, imports in such a situation, and mutually beneficial trade with the industrial countries must slow down or fall off.
This consideration leads us to look at the situation thus revealed in terms of the basic objectives of the GATT. What do we find?

First, there is this tendency, I have mentioned, to cut right across the fundamental aims of raising living standards and of ensuring a large and growing volume of world trade to enable us to take advantage of the benefits of international specialization. This was referred to in some detail by Mr. Nordmeyer yesterday.

Secondly, one would agree that GATT has been successful in reducing tariffs over a very wide field and thus has made substantial progress in removing barriers to world trade in secondary products.

But, it has failed to make any real progress in removing barriers to trade in primary products.

When, in the immediate post-war years, we entered into multilateral tariff negotiations, we did so on the understanding that the non-tariff devices which were then being used to protect domestic production of primary commodities were of a very temporary nature. Today, however, instead of finding these measures removed, we find, if anything, their use is spreading.

Where protection is afforded by means of a tariff, the extent of the protection is quite clear; moreover, any discrimination is immediately apparent. This is not so with the methods of protection widely practised in connexion with primary products.

These thoughts raise not only the question of the nullification and impairment of the tariff concessions already negotiated in relation to primary products; they make it perfectly clear that there is no firm basis at all for negotiating concessions on such products in future.
What then are our suggestions for dealing with these difficulties? I will hope to set them out under five heads in all.

1. Agricultural Protectionism

This, of course, is the core of the problem. As we have already pointed out, the basic policies of some governments in respect to agricultural protection and the nature of the measures which give effect to such protection, throw GATT out of balance and deny to agricultural exporters those benefits which they thought would flow from the obligations they have undertaken.

Although we shall have to discuss and examine particular aspects of agricultural protectionism, what is needed above all is a change of policy by a number of countries. We do not expect this to happen overnight. What we want recognised is that this is in the interests of the industrialized countries themselves, if they want to preserve and expand their own export markets and the level of international trade.

We consider that the next step should be a careful study by GATT of the problems, using the Report of the Panel of Experts as a basic document. This excellent report provides a concise appreciation of the nature and effects of agricultural protectionism. Taking it as a starting point, we want to see ways devised to first of all contain the growth of protectionism and then to open the way for reductions in unwarranted protection.

In this connexion we are most interested in the proposal for confrontation put forward by the United Kingdom. As a technique, confrontation has been well tried in OEEC. In the wider forum of GATT there will be a need to proceed on the basis of certain defined principles and we would expect these to come out of our consideration of the Experts' Report. We consider that in putting forward this proposal, the United Kingdom, a leading industrial country, has recognised the Community of interest in the world-wide problem of agriculture. That thought, indeed, seemed to permeate the whole of Sir David's speech.

As a part of the work and running parallel, as it were, with a discussion of the principles involved, we consider that firm arrangements should be made early in this Session to secure full details as rapidly as possible, of the extent and nature of protection existing through such non-tariff devices as subsidies or State-trading operations. A good deal of information has already been obtained, for example through the report under Article XVI which will in due course come before us. Our objective is to get as clear a picture
of the protection afforded by all these non-tariff devices as we already have of protection afforded by the tariff. We should know what commodities are protected, how they are protected, and what is the extent of that protection.

To ensure that this position is achieved, we would wish to see set up a special committee of the GATT, charged with the task of securing this information.

We believe that the information thus gathered is necessary for two purposes:

(a) to supplement the information contained in the report of the Panel of Experts; and

(b) to provide a more comprehensive and realistic basis for any future negotiations.

2. Further multilateral Negotiations

Undoubtedly, when the information referred to above is obtained it will disclose that some tariff concessions previously negotiated on primary products are being nullified or impaired and thus there would be grounds for the contracting parties adversely affected seeking an adjustment in the concessions granted. Australia is anxious to avoid action being taken which will set up new barriers to trade. Therefore, where the balance of concessions has been disturbed (by nullification or impairment) we would like to see negotiations undertaken directed towards restoring the balance of concessions at the highest possible level of trade.

We have in mind that such negotiations should be an integral part of a fairly general round of negotiations, including those relating to the new tariff of the European Economic Community and those arising out of the new powers granted the United States Government Executive. In this connexion we noted particularly the suggestions made yesterday by Mr. Dillon.

We, for our part, have recently reviewed our preferential arrangements with a view to getting into a position to enter into further negotiations. We would, however, see no purpose at all in negotiating concessions for our exports in the tariffs of industrialized countries which are using non-tariff measures to protect their primary production.

The position in connexion with protection by non-tariff measures must be as clear as the position in connexion with protection by the tariff before any negotiations would be considered by us.
3. Use of Quantitative Restrictions for Protective Purposes

Germany

I feel I must first of all make some observations on the forthright statement of policy and intentions made yesterday morning by the German Minister for Agriculture.

With some of what he has said I can agree fully. There is widespread agricultural protectionism operated with or without waivers. Australia, like Germany, is also concerned with the effects of export subsidies on international trade. We have already been injured by them. We would gladly work with Germany and other countries towards remedies.

But I cannot agree with him on a number of other points.

If I understood him correctly, he seemed to argue at one point that a country's treatment of imports should be determined largely in the light of its trading balance with individual countries; the implication being that it was legitimate, or should be, for such bilateral considerations to override the GATT. We could not accept such a position as being consistent either with the rules of GATT or - perhaps more importantly - with its very basic concept and spirit.

To put it more bluntly: we cannot accept the principle of discrimination.

Surely this kind of approach leads directly to an aggravation of existing imbalances in international trade, and would, if it became widespread, result in the eventual breakdown of the multilateral system.

To any country vitally interested in export opportunities for primary products, the statement by Germany that she will retain her marketing laws (if this means, as I assume it does, the maintenance of the present import regime), is most disturbing.

Contracting parties will know that Germany, for some considerable period, has had no balance-of-payments problem, and we had all hoped that Germany would follow the correct policies for a country in that position; that is, to dismantle the restrictions within the framework of a "hard core" waiver of the type specially tailored for Germany as part of "the package" resulting from the 1954-55 Review of GATT.

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Unless there is movement in the German position, Australia and others will find it increasingly difficult to reconcile the continued most-favoured-nation treatment they give to imports, with what they receive in return.

We would sincerely wish to avoid a situation in which a judgment about the treatment of German exports was forced upon us.

Growing out of previous discussions about agricultural protectionism, there is a feeling that the trade rules of GATT as they apply to agriculture, should be revised, and Germany has suggested it should be allowed to maintain the status quo pending such amendment.

Mr. Chairman, you will no doubt remember all too vividly, the travail we went through some four years ago to get agreed amendments to our rules. As yet, not all of these have been accepted by contracting parties. Furthermore, if any revision of our rules were undertaken, we, for one, would seek provisions designed to contain and combat the increasing protection for agriculture and to search for ways of liberalizing trade in primary products.

Australia believes that what is needed is not to set out to revise the rules, but to find ways of making existing provisions more effective and securing that freedom in trade for agricultural products which already exists for industrial goods.

In our view, the question of the German restrictions should be settled at this Session.

I should perhaps also say at this point that we consider there is now a need for a thorough examination of all those waivers which have been granted in one form or another since the Review Session, to see what progress is being made towards reducing those basic problems which gave rise to the need for the waivers.
4. **European Economic Community**

All the problems I have mentioned —

- slowing down in industrial activity
- high agricultural protectionism
- use of quantitative restrictions for protection of primary products
- frustration of tariff concessions

prevail in some or all of the countries in the European Economic Community.

They are, perhaps, no less present elsewhere, but their existence in the Six countries was highlighted in the course of the Twelfth Session's examination of the compatibility of the Rome Treaty with Article XXIV of the GATT.

The concept of a managed agriculture, enshrined in the Rome Treaty, gives rise to real fears on our part that what is happening in individual countries of the Six will be consolidated and extended in the Community's common agricultural policy as it emerges.

Australia has consistently stated its hope that the ambitious and imaginative plan contained in the Rome Treaty will be successfully accomplished. That was a cardinal feature in our examination of the issues last Session. It was in no way altered by our general conclusion that, in a number of respects, the Rome Treaty's provisions did not appear to be entirely compatible with Article XXIV.

However, we recognized — and still recognize — that such an immense undertaking as the Common Market could have (in terms of Article XXIV) imperfections which could in time be cured or, on more detailed elaboration of plans, could be brought into conformity with Article XXIV. We are conscious of the difficult negotiations which were required to get the Rome Treaty in its present form and we can foresee the further problems facing the Six in the elaboration of the Common Market at those points where only a framework now exists.

If the Six had been able to incorporate in the Rome Treaty precise agricultural plans they would have been presented to the GATT for consideration before being implemented just as other aspects have been submitted. It seems,
therefore, to be reasonable to suggest that, as the agricultural plans are
developed, other contracting parties should be afforded the opportunity to
discuss and comment upon them before implementation.

In this way, it would be possible for the Contracting Parties to be
assured that the transitional period was being in fact used to achieve the
complete integration basic to a Customs Union.

Secondly, such prior discussions would help to ensure that possible
damage to other contracting parties, arising from these plans, was avoided.

As it is, countries like ourselves, already seriously concerned about
prospects for agricultural products, feel considerable disquiet at possible
developments in this matter. We have previously catalogued our fears. It
is sufficient to mention here long-term contracts, minimum price arrangements
and the way in which quantitative restrictions on agricultural products are
administered, to recall our views. Of real and immediate concern, for example,
is the discrimination which will arise early next year when the Community will
introduce a new system of quotas.

In so expressing our apprehensions, we are not unmindful of the under­
standing note, struck in the Resolution of the Stresa Conference, of the
importance the Community attaches to protecting the interests of third countries.

Dr. Lübke has shown his recognition of our problem in its broadest sense,
but I think Sir David Eccles got closer to expressing it precisely, when he
said that he felt that the Community should tell third countries concerned
what changes in tariffs, quotas, support policies, etc., they have in mind.
It is in our view just such prior discussion that is needed, not merely to
set fears at rest, but to enable sensible planning by exporters of agricul­
tural products; to avoid serious damage; and to spread through the world
the economic advantages expected to accrue from the formation of the
Economic Community.

Recognizing then the apprehensions I have referred to, on the one hand,
and the Community's practical problems in elaborating their policies, on the
other, we ask - is there a constructive way of meeting the difficulties of
all parties?

One way might be to return to consideration of the Treaty in terms of
Article XXIV, so that GATT can make recommendations to the Six.
Another way would be to continue and expand the approach adopted last April, namely, to put a strict reading of the GATT aside and attempt, within defined procedures, to work out solutions which would preserve on the basis of good faith a balance of rights and obligations.

A third possibility might be to consider whether the review of the problems of international trade in agricultural products might be so conducted that the Six, accelerating the formation of their agricultural plans, could work with other like-minded countries to devise an agricultural regime in harmony with principles which would apply universally to all contracting parties.

5. Commodity arrangements and studies

The Australian Government is concerned not merely at the present low level of commodity prices generally, but also at the continuation of wide and sharp fluctuations in these prices. There is a real need for action to reduce the magnitude of these disturbing swings.

In our view, this is essentially related to the attainment of a greater measure of predictability in the external incomes of the non-industrialized countries. Only where such predictability exists can developing countries proceed with confidence to put their development plans into action at a steady and uninterrupted pace. In the absence of such an assurance, they will be bound rather to rely on undesirably rigid economic controls on both their internal and external activity.

Commonwealth countries agreed in Montreal that concerted action is called for to deal with this problem. It was very heartening to hear Mr. Dillon say yesterday that the United States is now prepared to participate in discussions of commodity problems on a case-by-case basis. We would hope as a result of such examinations to arrive, wherever necessary, at understandings about how best to moderate short-term price fluctuations, and that GATT would play its part in this work.

What we have achieved in the last twelve months is a fairly general appreciation of the nature of the problems involved. This is a big step forward. However, we must now come to grips with these problems.

In the course of the discussions so far, some useful suggestions have been made, and the Australian delegation is certain that if we all approach the problems with goodwill, and a full sense of what is involved, satisfactory solutions will be found.